Annual Report 2012

In this year's report

Go online to hear from our team and to watch our success stories come to life…

Getting more from this report:

- Where you see this symbol or references to other sections in italics, you can click through to the relevant section within this document.
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- Where you see this symbol, you can click through to watch a video on the subject.

Ahold at a glance

In this section:

Introduction

We are reshaping retail at Ahold…

Our strategy to reshape retail is helping us to meet the changing demands of consumers and accelerate the growth of our company.

Through this strategy, we are creating growth by increasing customer loyalty, broadening our offering and expanding our geographic reach; and enabling this growth through responsible retailing, simplifying our business and developing our people.

We are reshaping the shopping experience and what we offer our customers so that our brands are their first choice, every day.

and working to get better every day.

Company profile

We are Ahold...

We are an international retailing group based in the Netherlands, with strong local consumer brands in Europe and the United States.

Our foundation is selling great food – and supermarkets are our core business. We also operate other formats and channels so that our customers can shop whenever and wherever is most convenient for them. We provide our customers with the best possible value, assortment and shopping experience.

We are able to do this because we have great employees who love what they do and are good at it. The relationships they build with our customers are an important part of why they keep coming back to shop with us.

225,000

Employees (2011: 218,000)

3,074

Stores (2011: 3,008)

Serving a trade area of around

80 million people

Financial highlights

delivering strong financial performance…

4.3%

Underlying operating margin (2011: 4.5%)

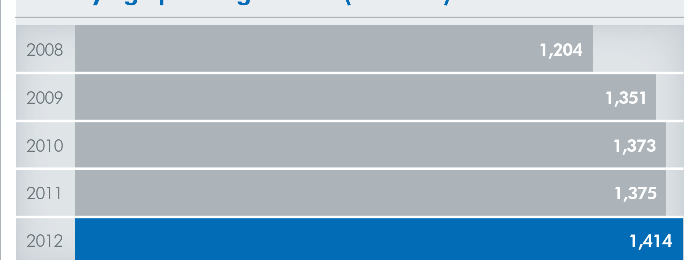
€32.8bn

Net sales (€ million)

Year	Net sales
2008	25,648
2009	27,925
2010	29,530
2011	30,271
2012	32,841

€1.4bn

Underlying operating income (€ million)



Year	Underlying operating income
2008	1,204
2009	1,351
2010	1,373
2011	1,375
2012	1,414

€0.80

Income from continuing operations per common share (basic) (2011: €0.93)

As part of our dividend policy we adjust income from continuing operations for significant non-recurring items. Adjusted income from continuing operations per share was €1.00 in 2012 (2011: €0.91).

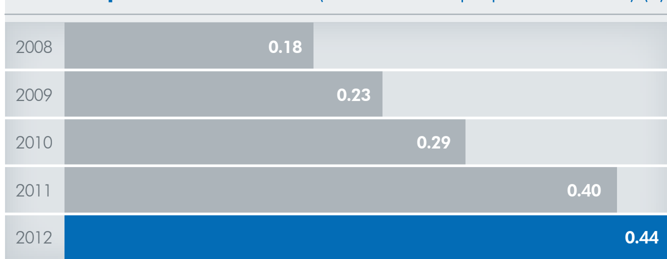
€1.2bn

Free cash flow (€ million)

Year	Free cash flow
2008	638
2009	948
2010	1,112
2011	965
2012	1,188

€0.44

Dividend per common share (2012 includes proposed dividend) (€)



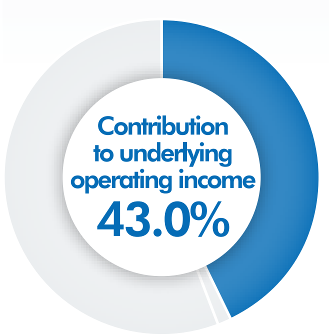
Year	Dividend per common share
2008	0.18
2009	0.23
2010	0.29
2011	0.40
2012	0.44

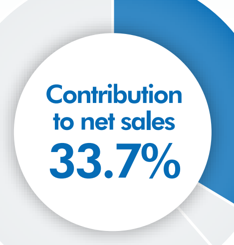
Where and how we operate

and serving customers through our market-leading brands…

We operate strong local brands in Europe and the United States that are well-known and popular with customers – and many of which are leaders in their markets.

The Netherlands





Europe

In Europe we serve a trading area of more than 40 million people in five countries, with the greater part of our business in the Netherlands and the Czech Republic. The food sector in the Netherlands showed limited growth in 2012, but also significant consolidation in the supermarket industry. Despite strong competition, Albert Heijn continued to gain market share in 2012[1]. In the Czech Republic the food market is divided into several different channels: small traditional trade stores and hypermarkets, which are declining; and discount, compact hypermarkets and supermarkets, all of which are growing. We operate supermarkets and compact hypers in the Czech Republic. The competitive environment in the country remained intense in 2012. Our Czech business succeeded in maintaining a share comparable to last year in this competitive market[1].

United States

In the United States, we serve a trading area of 38 million people. Though the grocery channel still represents nearly two-thirds of the food market in the United States, food is being sold in an increasing range of retail formats as more and more U.S. retailers use it to drive traffic. For this reason, we measure our businesses in the United States against the performance of not only the supermarket channel but the all-outlets channel, which includes other retailers who also sell food.

Our U.S. businesses were able to gain market share – both in the supermarket channel but also in the all-outlets channel – over the past year, despite tough competition[2].

1 Based on Nielsen Scanning data
2 Based on Nielsen ScanTrack

Where and how we operate (continued)

Other Europe

Czech Republic Slovakia

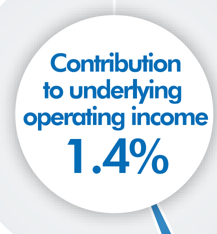
Our brands

Key facts:

306 stores

11,000 employees

€1,675 million net sales



Contribution to net sales
5.1%

USA

USA

Our brands

Our online brands

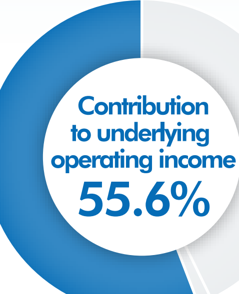
Peapod

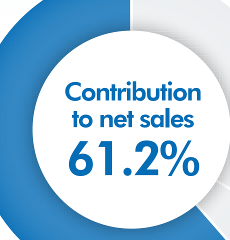
Key facts:

772 stores

121,000 employees

€20,112 million net sales





Joint ventures

Key facts:

60% stake

€11,125 million net sales

Ahold owns a 60% stake in ICA AB, which owns the ICA Group. The other 40% is owned by Swedish firm Hakon Invest AB. Ahold and Hakon Invest AB share equal voting power in ICA AB. On February 11, 2013, Ahold announced that it reached an agreement with Hakon Invest of Sweden to sell our 60% stake. The transaction, subject to regulatory approvals as well as approval by the ICA's Retailers Association (ICA Forbundet) for the financing of the transaction, is expected to be completed in the middle of 2013.

Sweden Norway Estonia Latvia Lithuania

Key facts:

49% stake

€3,295 million net sales

Ahold holds 49% of the shares in the joint venture JMR, and shares equal voting power on JMR's board of directors with Jerónimo Martins, SGPS, S.A.

Portugal

Where and how we operate (continued)

to maximize their potential for the benefit of all of our stakeholders...

Our strong local brands enable us to stay close to our customers and communities, and build customer loyalty. Everything we do is based on our brand promise in each market. Our value proposition, formats, targeted assortment of products and services, and the way we communicate with our customers are all a reflection of our local brands.

Where and how we operate (continued)

Our formats

Supermarkets are the core of our business. However, we operate a range of other formats and continue to expand our online options to serve the needs of different communities and to give customers more shopping alternatives.

Format	Geography	Store size	Offering
Supermarkets	Netherlands, Belgium, Czech Republic, Slovakia, United States	400-8,400 sq. m.	Full range of food and selected non-food products. Emphasis on fresh products
Convenience stores	Netherlands, Germany	40-200 sq. m.	Quick food solutions for on-the-go customers
Compact hypers	Czech Republic, Slovakia	2,000-3,600 sq.m.	Full range of food and selected non-food products. Emphasis on fresh products
Specialty stores	Netherlands	50-500 sq. m.	One chain offers health and beauty care products; another offers wine and liquor
Online food delivery	Netherlands, United States	n/a	Full range of food and selected non-food products
Online non-food delivery	Netherlands, Belgium	n/a	Wide non-food range
Pick-up points	Netherlands, United States	n/a	Full range of food and selected non-food products. Customers order online for pick up at designated locations
Gasoline stations	Czech Republic, Slovakia, United States	10-350 sq. m.	Gasoline and, in some locations, a small range of convenience products

Our stakeholders

As an international food retailer operating businesses that are deeply rooted in their local communities, we have a wide range of stakeholders who impact or are impacted by our businesses in various ways. Our stakeholders include our customers, employees, suppliers, the communities where we operate, governments, NGOs, academic and research institutes, industry bodies, and our shareholders. We engage with our stakeholders in order both to gain insight into their expectations, and to share our progress with them. This enables us to better meet their needs over time.

As an organization, we have identified five main stakeholder groups, and the ways in which we engage with them:

Customers

We regularly ask our customers what they think of our stores, assortment and service, including their perception of Ahold as a healthy retailer. We receive feedback via third-party surveys, proprietary tracking studies and consumer panels as well as directly from customers in stores.

Employees

We have an open and honest company culture, and carry out regular employee satisfaction surveys. In 2012, we carried out employee satisfaction surveys in all our operating companies, with nearly 140,000 employees around the world participating.

Suppliers

Our suppliers are very important to us, and with many we have long-term relationships. We therefore held supplier events in both Europe and the United States to discuss various important topics, including company strategy, sustainability, supplier diversity, and food safety, with them. We also work through the Albert Heijn Foundation in Africa to improve the quality of life for our suppliers and their communities, as well as to secure our long-term supply chain.

Communities

Our companies are committed to being active and participating members of their communities. We do this through initiatives, events and charitable contributions that help to improve the communities and neighborhoods in which we operate.

Shareholders

We meet with investors on a regular basis, and work to broaden the investment community's understanding of our company by providing accurate and timely information on Ahold's performance and prospects.

Message from Dick Boer, Ahold CEO

with the confidence to look forward to a future of continued growth…

- Our Reshaping Retail strategy is working
- Our strategy enables us to grow in a changing environment and positions Ahold for success in the future
- We are taking a balanced approach to investing in growth and providing attractive returns to shareholders

Dear shareholders,

The retail environment we operate in is incredibly dynamic, and our customers' needs are changing faster than ever. Their lives are hectic – they want convenience, and they expect a personalized shopping experience. At the same time, they are looking to fit more quality time with family and friends into their busy schedules – and food often plays an important role. There is a growing focus on healthy eating, and people expect to find the right choices and information to support and inspire them when they shop. And they want all of these things at a price they can afford. This new reality demands ever greater creativity, innovation and value creation from retailers like us.

In 2012, we marked our 125 year anniversary. We've made it to this milestone because our people have always put the customer first – and have had the vision to transform our offering to evolve with shoppers' changing needs.

With 20 consecutive quarters of identical sales growth, steady market share growth in our main markets over the past five years, and consistently strong cash generation, we have a robust and successful business. Furthermore, our reshaping retail strategy is ensuring that we continue our heritage in innovation to bring new value to our customers of today and tomorrow.

Delivering on our Reshaping Retail strategy

In 2012, we delivered another year of good financial performance. We grew net sales by 8.5% in 2012, to €32.8 billion. At constant exchange rates, our net sales were up 3.5%. We had €1.2 billion in operating income and our underlying operating margin was 4.3%, despite challenging market conditions. Consumer confidence remained low and retailers had to work hard to drive sales in this environment. In the face of these challenges, we were nevertheless able to gain market share once again in all of our major markets.

€32.8bn
Net sales

Message from Dick Boer, Ahold CEO (continued)

Building shareholder value

If we look back over the past five years, we've shown strong performance in relation to our sector. We have been outperforming our peers in sales growth in the food category in the Netherlands and the United States year-over-year and have delivered above average margin performance. Specifically, we have increased sales by €7.2 billion to €32.8 billion over a five year period – an annual average growth of more than 5%, mainly from our existing businesses. We have delivered best-in-class cash generation, going from €0.6 billion in 2008 to €1.2 billion free cash flow in 2012.

In our view, creating shareholder value requires a balanced approach of investing in growth while at the same time providing attractive returns. We continue to achieve top quartile return on capital and total shareholder return, relative to the group of food peers we compare ourselves to. Our performance has enabled us to consistently deliver attractive returns to our shareholders.

Strong cash generation made it possible for us to successfully complete two share buy-back programs of €1.5 billion in total, return €1.4 billion to shareholders in dividend payments, and reduce our debt by €2 billion.

In 2012, adjusted earnings per share rose to €1.00, which enabled us to further increase our dividend to €0.44 and increase the payout ratio to 44%, which is within the range of 40-50% of adjusted net income from continuing operations. Our solid balance sheet and strong free cash flow generation enables us to launch a new 12-month €500 million share buyback program.

We are reshaping retail

Last year we launched our strategy to reshape retail, and in 2012 began to reap the benefits. This strategy is helping us leverage the consumer trends we see in our markets into growth opportunities for our businesses.

Customers today expect more for less, and we are broadening our offering to give them more of what they want. Our U.S. businesses are improving their own-brand product lines to give customers more choices at different price points to fit their budgets. We are on track to build own-brand penetration to our target of 40%.

Advances in technology are enabling people to research and buy anything they want, at any time of day, anywhere they happen to be. We're building our online offering on both continents to give customers more shopping alternatives, and we achieved double-digit online sales growth in 2012.

Customers appreciate the convenience of the pick-up points we opened during the year, including the first Peapod pick-up points in the United States, and our first pick-up points in the Netherlands. Results have exceeded our expectations and we will roll this service out further in 2013.

Our acquisition of online retailer bol.com is enabling us to provide Dutch and Belgian customers with a far wider selection of non-food products, so they can come to us for more of what they need every day.

We expanded our geographic reach during the year, to serve customers we couldn't reach before, adding 15 Genuardi's stores at Giant Carlisle in the United States, and agreeing with Jumbo on the transfer of 82 new stores in the Netherlands, to be converted to the Albert Heijn format. We also opened nine more supermarkets in Belgium and our first three *Albert Heijn to go* convenience stores in Germany.

On February 11, 2013, we announced that we reached an agreement with Hakon Invest of Sweden to sell our 60% stake in joint venture ICA AB, as we aim to focus on our growth strategy and on the businesses we control. The transaction is expected to be completed in the middle of 2013.

You can find more detail about our strategic progress in 2012 in the *Our strategy* section of this report.

Investing in value for customers

Customers were focused on getting the most for their money in 2012 without compromising on quality. During the year, we were able to simplify our business in order to save costs so that we could invest more into offering great value to shoppers. In fact, we increased the target for our 2012-2014 cost reduction program from €350 million to €600 million. This is an aggressive but achievable goal to further drive our efforts to simplify our business where we see opportunities – such as optimizing our commercial processes and systems and driving own-brand profit through improved sourcing.

Getting better every day

In 2012, we launched our promises to get better every day for our customers, employees and communities. Of course as retailers, we've always been acutely focused on our relationship with customers and how we can offer them something remarkable. But our businesses and our employees have also operated at the heart of our communities over the years – whether it is by investing in job creation, improving the quality and safety of our neighborhoods by operating clean, modern and efficient stores, or giving substantial funds and countless hours to support good causes – such as ending child hunger – that help create a healthier society. As a better neighbor we also work on reducing our environmental impact and ensuring our products are sourced with respect for people, animals and the environment. The well-being of our employees and of those touched by our businesses is fundamental to earning our customers' trust and loyalty.

Message from Dick Boer, Ahold CEO (continued)

Our promises to get better every day describe specifically how we want to be a better place to shop, a better place to work, and a better neighbor. By articulating them so clearly, we want to make transparent what we stand for – both within our company, but also outside of it. We're confident this transparency will help us be a better retailer for years to come. You can read more about our promises in the *Our strategy* section of this report.

Our commitment to being a responsible retailer runs through all three of our promises, because without it we cannot achieve our ambition to get better every day. In 2012, we made considerable progress on our responsible retailing targets in our five priority areas of making healthy living choices easy, contributing to community well-being, sourcing responsible products, caring for the environment and our people. You can read more about our achievements in our 2012 Responsible Retailing Report.

Our people make the difference

Retailing is fundamentally about people. Our success over the past 125 years is a tribute to our employees, and their passion for the business. We believe that we can only meet our customers' expectations and be good neighbors if our employees feel appreciated and fulfilled in their jobs.

We have incredible employees in all our businesses who are deeply committed to serving our customers and our communities. They drive our local charitable efforts and they create strong and lasting relationships with our customers. When Hurricane Sandy struck several of our markets in 2012, our U.S. colleagues showed the lengths they will go to for our customers, when, even in the face of their own personal challenges, they worked hard to keep our stores open and operating.

We're committed to providing employees with good working conditions, competitive wages and benefits, fair treatment and respect, and opportunities for professional growth. We work to foster a positive work environment and an engaged team of employees whose ideas, knowledge and skills are valued and respected.

In the past several years, we've been strengthening our leadership across all our businesses, to ensure we have the capabilities we need to carry out our reshaping retail strategy. We have a leadership culture based on trust, transparency, openness and diverse viewpoints and experiences – and we have a team of leaders whose skills complement each other well.

We made some key leadership changes in 2012. We announced that Carl Schlicker would be retiring as of February 2013, after 25 years with Ahold. I would like to thank Carl for the tremendous contribution he has made to our company, particularly in positioning our U.S. businesses for the future. We were very pleased to find Carl's replacement within the Ahold family. James McCann, formerly Chief Commercial & Development Officer, has taken over as head of our U.S. businesses, bringing years of international retail experience to this role.

We also made changes to the structure of our European leadership team, to put the Albert Heijn business in a more central position for the future growth of Ahold in Europe. These changes included appointing Sander van der Laan as CEO of Albert Heijn, in addition to his role as COO Ahold Europe.

The year ahead

We remain cautious in our outlook but are committed to deliver on our Reshaping Retail strategy. We will keep working to simplify our business to reduce costs so that we can invest in our offering and further improve the value we provide to our customers. We will continue to focus on keeping our day-to-day business strong by living up to our promises, and on building our competitiveness for the future by delivering on our six strategic pillars.

Our thanks

None of this would be possible without the efforts of employees across our stores, offices and distribution centers. We have some of the most hard working, dedicated, customer-focused people in the business, and I want to thank them for all they do each day to make the shopping experience special for our customers. I would also like to thank our customers for their loyalty to our brands – and you, our shareholders, for your confidence and support over the past year.

Sincerely,

Dick Boer
Chief Executive Officer

February 27, 2013

Our management

and a leadership structure that provides flexibility and control.

We operate our businesses from two continental platforms, Ahold Europe and Ahold USA. The Ahold group is led by the Corporate Executive Board, and each continental organization is led by a Chief Operating Officer (COO) reporting to Ahold's CEO.

Dick Boer
President and Chief Executive Officer

Role and responsibility
Member of the Corporate Executive Board responsible for ensuring the proper functioning of the Board as a whole and for the overall strategy of the company. In addition, the President and CEO is directly responsible for the company's communications, human resources and internal audit functions, and the managing director of bol.com reports directly to him.

Jeff Carr
Executive Vice President and Chief Financial Officer

Role and responsibility
Member of the Corporate Executive Board specifically in charge of the company's financial affairs. The CFO is also directly responsible for the company's information technology function.

Lodewijk Hijmans van den Bergh
Executive Vice President and Chief Corporate Governance Counsel

Role and responsibility
Member of the Corporate Executive Board responsible for the legal, corporate governance and mergers and acquisitions functions at Ahold, as well as the company's approach to responsible retailing, including its scope, ambitions and targets.

James McCann
Executive Vice President and Chief Operating Officer, Ahold USA

Role and responsibility
Responsible for the oversight of our Ahold USA businesses, as well as implementing our strategy within the continent. Ahold USA is organized into four retail divisions: Giant Carlisle, Giant Landover, Stop & Shop New England, and Stop & Shop New York Metro. Each of these has a division president reporting to Ahold USA's Executive Vice President of Operations, who in turn reports to the COO. The Peapod online business is also part of Ahold USA. James McCann took on this role on February 1, 2013, succeeding Carl Schlicker, and is a member of Ahold's Corporate Executive Board.

Sander van der Laan
Chief Operating Officer, Ahold Europe and Chief Executive Officer, Albert Heijn

Role and responsibility
Responsible for oversight of our Ahold Europe businesses, as well as implementing our strategy within the continent. Ahold Europe comprises Albert Heijn in the Netherlands, Belgium and Germany; Etos, Gall & Gall, and albert.nl in the Netherlands; and Albert / Hypernova in the Czech Republic and Slovakia. Sander is also CEO Albert Heijn. Etos, Gall & Gall, albert.nl and Albert / Hypernova each have a general manager, reporting to Sander.

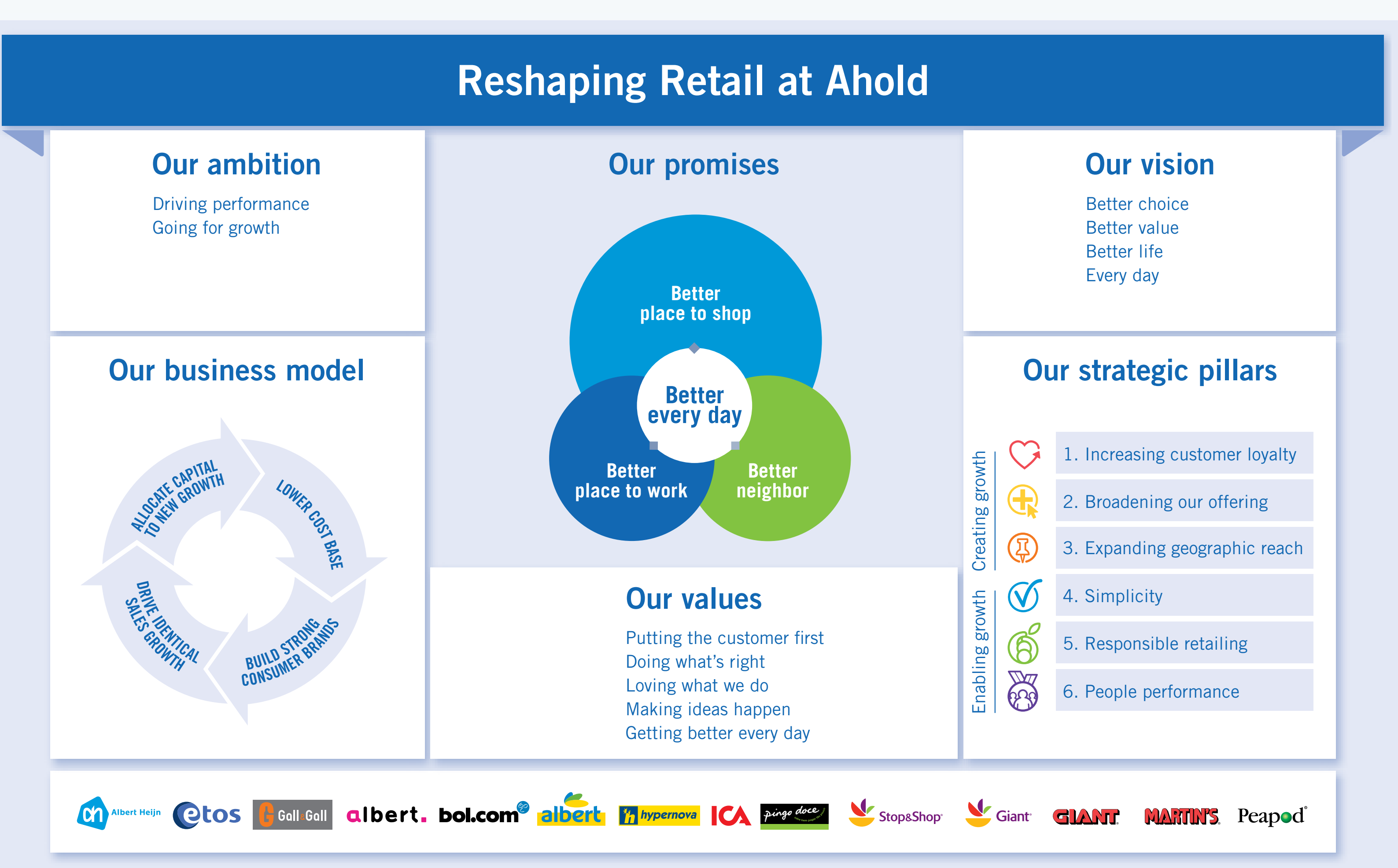
Our strategy

In this section:

Our Reshaping Retail framework defines our strategic ambitions, how we operate and what we want to be as a company.

Our Reshaping Retail framework (continued)

We have a successful business model, strong brands, and a clear ambition to grow through our strategy to reshape retail. We have a vision for the future and a common set of values across all our businesses. We work to get better every day through our shared promises. We have built a solid foundation to support our growth plans – with a long heritage in the retail business, powerful local banners, an aligned organization, great people and a strong financial position.



Our vision and values

We're committed to achieving one common vision, by living the five common values that define who we are…

Our vision

Our vision is to offer better choice, better value, and a better life to all of our stakeholders – our customers, employees, suppliers, shareholders, and the communities we serve – every day.

Better choice. Better value. Better life. Every day.

This vision describes our ambition to provide the right choices and great value that support a better life not only for our customers but also for our other stakeholders. We work to get better in each of these areas, every day.

Our values

All of our companies share five common values that define who we are, what's important to us, and how we do things:

and getting better every day…

As retailers, our relationship with customers has always been at the center of everything we do. But in today's world, being a good retailer is also about creating a working environment where employees can be at their best and about ensuring we are always deeply connected with our communities.

In 2012, we launched our promises to be a better place to shop, a better place to work and a better neighbor everywhere we operate. These promises define how we will get better every day for our customers, our employees and our communities. All three promises are interlinked – we need satisfied employees and a connection with the wider world our business impacts in order to build strong relationships with our customers. Our promises run across all our businesses, but are applied locally at each of our banners according to their needs and priorities.

Delivering on our promises will help us drive success, perform better against the competition and create greater value for our company and for society.

Better every day

Better place to shop

- Great quality and freshness
- Finding the products you want
- Good prices and exciting promotions
- Easy to shop
- Friendly and helpful employees

Better place to work

- Respect for each other
- Good working conditions
- Opportunities to develop
- Support from my manager
- Recognition for performance

Better neighbor

- Healthy living choices made easy
- Contribution to community well-being
- Responsibly sourced products
- Care for the environment

Our business model

with a Group-wide business model that drives our strategy…

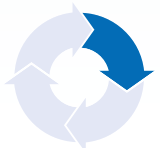
Our successful company-wide business model is at the heart of our strategy. The model is a virtuous circle in which we continuously work to lower our cost base in order to invest in price, value, and the products and services we offer. This allows us to drive sales, win new customers, and allocate capital to further grow our business.

LOWER COST BASE

BUILD STRONG CONSUMER BRANDS

DRIVE IDENTICAL SALES GROWTH

ALLOCATE CAPITAL TO NEW GROWTH



Lower cost base

We continually work to lower our cost base and operate in the simplest, most efficient and cost-competitive way. Through the simplicity pillar of our strategy we continue to leverage our capabilities and resources as an international company and work on better, more aligned processes and systems. In 2012, we expanded our company-wide simplicity program beyond operational areas and overhead management to additional areas such as maximizing the efficiency of our commercial spend and improving our sourcing, including own brands. At the end of 2012, we announced an increase to our existing cost savings program from €350 million to €600 million for 2012-2014, to fuel further investments in creating a better offering and value for customers.

Build strong consumer brands

Our business is built on strong, local consumer brands. We reinvest our cost savings into our offering, to give customers more of what they want and increase loyalty to our brands. We monitor our price positioning regularly in order to maintain the right value proposition. We use our best-in-class consumer insights capabilities to continually adjust our offering and provide the best shopping experience. We are also broadening our offering and working to give our customers more ways to shop with us, by developing our formats and growing our online business. We are making our assortment more relevant and our promotions more personal and targeted to individual customers. Providing our customers with more of what they want helps us drive identical sales.

Drive identical sales growth

The investments we have made to build our strong consumer brands have enabled us to drive identical sales growth, increase volumes and to gain market share, in many cases outperforming our peers in the food category in both Europe and the United States

Allocate capital to new growth

The capital we generate is used to drive new growth, to get the right returns and invest in the business for the long term. We are investing in new products and services based on our customers' changing needs. This includes developing our formats, expanding our online business, and introducing new and innovative own-brand products. We are also expanding our geographic reach by investing in new stores in our current, adjacent and new markets. Our aim is to allocate 3-3.5% of sales to capital expenditure to maintain and grow our network of attractive stores and successful online businesses. All of these things enable us to drive sales growth and grow market share.

and six pillars that help us achieve our growth ambitions…

Our six strategic pillars outline how we will accelerate the growth of our company. These pillars will ensure we leverage rapidly changing customer behavior and retail trends so that we will stay competitive and successful, and be our customers' favorite place to shop, every day.

Our progress in 2012

- Own brands U.S. penetration on track
- Refreshed 50 Stop & Shop stores
- Achieved double-digit online sales growth
- Tested pick-up points further and put strong pipeline in place for future locations
- Acquired bol.com
- Added 15 Genuardi's stores to Giant Carlisle
- Agreed with Jumbo on the transfer of 82 stores to Albert Heijn
- Opened nine Albert Heijn stores in Belgium
- Opened first three *Albert Heijn to go* convenience stores in Germany
- Realized €190 million in cost savings

Creating growth:

1 Increasing customer loyalty

Ambition: Add 1-2% to sales growth through our customer initiatives.

2 Broadening our offering

Ambition: Triple online food sales to €1.5 billion and drive profitability, increase own-brand penetration to approximately 40% in our U.S. businesses, and open a minimum of 150 convenience stores in Europe by 2016.

3 Expanding our geographic reach

Ambition: Continue to focus on current markets and surrounding markets and evaluate new geographies; open 50 supermarkets in Belgium by 2016.

Enabling growth:

4 Simplicity

Ambition: Reduce costs by €600 million from 2012-2014.

5 Responsible retailing

Ambition: We measure our performance across nine targets, covering five areas: healthy living, community well-being, responsible products, care for the environment and our people.

6 People performance

Ambition: We measure our performance across five areas: respect for each other, good working conditions, development opportunities, support from managers and recognition for performance.

1

Increasing customer loyalty

We want our businesses to be our customers' favorite place to shop. We want them to enjoy our brands, our stores, our people and our products so much that they do most of their shopping with us and recommend us to others.

In today's world, consumers have more choice than ever before. They also have growing expectations of retailers. To gain their loyalty, we have to understand them better than anyone else so that we can offer them the products and services they want, the quality and value they expect, and a shopping experience that makes their daily lives a little easier.

We have developed the ability to analyze the data we collect when customers shop with us and turn it into valuable insights about what they want. We are acting on these insights in all areas of our business to continually become a better place to shop. In addition, we operate local brands that are close to their communities, to help ensure our offering is relevant in every market we serve.

We are working to build more personal relationships with our customers so that they will want to keep coming back to shop with us. Our employees are key to this – the friendly and helpful service they provide builds our customers' loyalty and trust. We are also using our insights and innovative technologies to develop personalized communications and offers to customers on the products and services they need and want.

At the core, it's about putting the customer first in everything we do, every day.

Increasing customer loyalty (continued)

Transferring best practices in customer insight across continents

Teams from Ahold USA and Ahold Europe have been working closely together over the past year to share knowledge and further develop the way we build customer loyalty and offer our customers more of what they want and need. One important focus area in 2012 was the transfer of best practices in applying customer insights from our U.S. businesses to Ahold Europe.

In addition to meeting regularly to share knowledge with U.S. counterparts, in 2012 our European customer loyalty team started working with the same analytics partner that has helped Ahold USA develop best-in-class methods for analyzing customer data and turning it into insights. They are building segmentations that help them analyze shopping behavior and better tailor their offering to customers. The European team is able to rapidly implement tools that use insights to help category management teams make decisions about pricing, promotions and assortment, using knowledge from their U.S. colleagues. In 2012, they performed detailed analyses on categories including fruits and vegetables, deli cheese and wine, to find out how customers shop in these areas and develop strategies to meet customer needs.

The ability to work together across continents is helping us to continue to provide our customers with a better, more relevant offering and value proposition, everywhere we operate.

1 2

Broadening our offering

The world around us is changing fast – and so are our customers' needs. They expect more from retailers every day – better value, more convenience and solutions that help them save time. Technology has given consumers almost limitless choices when it comes to what to buy, how to buy it, and how much to pay for it – and they are taking advantage of it in increasing numbers.

We are broadening our offering by growing our online businesses, developing our store formats and improving our assortment – to give our customers shopping alternatives that meet their changing needs.

We are accelerating the growth of our online businesses so our customers can shop when, where and how they want – either in our stores or online, for delivery or pick up. We are building an even better, more relevant assortment, with a broader range of products and services, including new and innovative own-brand products and a growing assortment of non-food products. We continue to strengthen our successful supermarket formats, while developing additional formats to better serve our customers' needs.

Broadening our offering (continued)

Opening pick-up points to make shopping more convenient

Ahold has been opening pick-up points in the United States and Europe, to give customers another way to shop with us.

In 2012, we opened our first Peapod pick-up points in the United States, enabling customers to order online and then choose to either pick up their groceries or have them delivered. A total of eight were opened by the end of the year to join three existing store-based pick-up points already operational in Stop & Shop and Giant Carlisle stores.

During the year, Albert Heijn opened its first pick-up points in Europe, operating a total of three as of December 2012. We also opened 59 bol.com pick-up points in Albert Heijn stores, leveraging our new relationship with the online non-food retailer, and already see a growing percentage of bol.com volume going through the pick-up points in areas where they exist.

So far our pick-up points have exceeded our expectations in terms of both sales and customer feedback, which has been very positive about the convenience and great value. We will continue to test and open different types of pick-up points as an important part of helping customers shop the way they want to shop and building our online business.

Expanding our geographic reach

We are expanding our footprint in order to serve customers we have not reached before – both in and around our current markets and in new markets.

Acquiring stores in our current markets enables us to make the most of our existing operations and better leverage our scale. We are also looking for opportunities to move into markets that are adjacent to where we operate, so we can apply our skills and build our scale even further.

Expanding our geographic reach (continued)

Integrating new stores into our Giant Carlisle banner

Over a period of three weeks, Giant Carlisle converted 15 Genuardi's stores it had acquired in the greater Philadelphia area into its Giant banner. To minimize the disruption to customers, Giant closed each store for only about one week. During that time, whole store interiors needed to be torn down and rebuilt – shelves and coolers replaced, merchandise swapped out, IT systems updated, to name just a few – and hundreds of new employees had to be trained and brought on board. The result was an improved offering for customers: bright, clean and refreshed stores, with all the amenities that Giant's shoppers want and expect. The acquisition was the latest in Giant's process of growth through fill-in acquisitions, and helps Giant to fill in areas in the greater Philadelphia region it did not yet serve.

1 4

Simplicity

We want to operate in the simplest, most efficient and cost-competitive way, so that we can invest more in value for our customers.

We are leveraging our capabilities and resources as an international company and working on better processes and systems across our businesses.

We have increased the target of our €350 million cost-savings program underway for 2012-2014 to €600 million, to enable us to create more value for our customers.

The savings we unlock with simplicity will be reinvested into our offering for customers to drive our successful business model.

Improving transport to gain efficiencies at Ahold Europe

Our businesses in Ahold Europe are working to optimize the way they transport products from our distribution centers to our stores in order to save costs – to be reinvested back into our customer offering – and reduce our carbon footprint. They are doing this through better route planning and increasing the density of the truck load – in other words, finding ways of loading more products on every truck that leaves our distribution centers. All of these initiatives resulted in 10% savings on our total annual transportation costs in Europe. The load factor of Albert Heijn's trucks was 79% in 2012 – an increase of 3% compared to 2011. The fuel usage per kilometer in 2012 was down 3% compared to 2011. The load factor of Albert's trucks was over 85% in 2012. This contributed to an overall CO_2 reduction of 5.6%.

Simplicity (continued)

Saving costs, waste and the environment through packaging optimization

We are working to optimize the value chain for our own-brand product lines across all our businesses. One way to do this is by making our own-brand consumer packaging and the way we package products for transport better, cheaper and more sustainable. We're finding ways to reduce the cardboard content of cases and lower the plastic content of bottles, for example. This is helping us lower costs to reinvest in our customer proposition, create packaging that is attractive to customers, reduce fuel consumption and waste, and improve our carbon footprint.

In Europe, work on packaging optimization is already well underway, and our companies here are gaining significant savings. For example, Albert Heijn changed the packaging of its own-brand olive oil from glass to plastic, a move that was popular with customers, saved over €500,000, and was beneficial to the environment because the bottle was lighter and more efficient to transport. Ahold USA began to put more focus on packaging optimization in 2012. They are starting to include it in supplier negotiations and review their portfolio of products. One initiative already underway is a switch from transporting certain products in cardboard boxes to display-ready trays that use less cardboard and save labor in the stores.

1 5

Responsible retailing

Responsible retailing is about how we run our businesses, live our values and do what's right. As a food retailer, we operate at the heart of our communities. We believe we have a unique responsibility – and opportunity – to positively impact the lives of everyone our business touches.

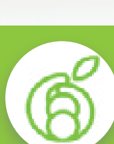
We support the health and well-being of our customers, employees and communities; we source our products responsibly and care about the environment. Employees – throughout our businesses – are engaged in putting responsible retailing into practice, every day.

We have five priority areas under our responsible retailing pillar: healthy living choices made easy, contribution to community well-being, responsibly sourced products, care for the environment and our people. In 2010, we set a series of clear, measurable targets to 2015 for these priority areas, which we have now been reporting on for two years. We will continue to report on these, and have set various new targets where the initial ones have been reached.

Fighting hunger and composting waste at Ahold USA

Ahold USA's divisions wanted to do more to redirect safe, consumable food from the waste stream to regional food bank partners, so they set up a Consumable Food Taskforce to identify and establish standardized food donation procedures from stores across the divisions. As a result of both the efforts of the taskforce and better tracking and reporting of donations, our 2012 product donations to food banks increased by 50% – a welcome contribution to local communities in times of crisis. Any food that cannot be donated is diverted from landfill by being re-used, either as livestock feed or for composting. In 2012, a composting program was rolled out to 285 more U.S. stores, bringing the total to 509.

Responsible retailing (continued)



Healthy living programs for children in Europe

All Ahold's operating companies have healthy living programs in place to encourage children to eat and live more healthily. In 2012, we reached over half a million children in the markets where we operate. Here, we focus on the activities of our healthy kids programs in Europe.

In October 2012, Albert Heijn introduced a week-long classroom initiative known as "Pauzehap Week" to encourage elementary school students throughout the Netherlands to discover healthy snacks; 194,044 children took part. Each day, fun and informative learning assignments were carried out, and educational video clips were shown. This free classroom initiative was part of "Ik eet het beter" (I eat better): an umbrella educational program about healthy eating from Albert Heijn, which focuses on children aged 8-12 in the Netherlands. During 2012, 374,283 children participated in the overall program.

In the same month, Albert in the Czech Republic re-launched its Healthy 5 educational program for the new school year led by the Albert Charity Foundation. Inspired by Albert Heijn's "Ik eet het beter," the Healthy 5 program centers around the idea of eating five portions of fruit and vegetables per day. Children can get involved in the classroom and learn the basic principles of healthy eating via fun, interactive activities. The Healthy 5 program has been proving that healthy food can be fun to children since the project started in 2004. During 2012, 96,588 children got involved, as the program is being expanded to students in higher grades of primary schools.

1

People performance

Our businesses are all about people. We have great people who love what they do and are good at it. We want our businesses to be places they feel good about working at, so they pass on that good feeling to our customers.

We are continuously investing in and developing employees. At the same time, we are hiring new people with new skills, so that we have the capabilities we need to grow – and sharing these capabilities across our businesses.

We will continue to build diverse workforces – in terms of both personal background and professional experience – to better serve our diverse customer bases and help us successfully cross cultures and borders. We want to be a better place to work for our employees, and provide good working conditions, development opportunities, managerial support, recognition for performance, and an atmosphere of mutual respect.

Building a leadership culture at Ahold

We have been working to build a strong leadership culture across Ahold that is based on trust, openness and transparency. It is our belief that having diverse teams of leaders who complement each other's strengths, and who share the same vision, is essential for achieving our strategy. In 2012 we took the next steps in our leadership journey, opening it up to a wider group of leaders throughout Ahold.

People performance (continued)

Sharing best practices and developing leaders at Ahold USA companies

In the retail industry, managers from different companies sometimes come together in "share groups" to discuss common issues and exchange knowledge, to learn from each other and to find out about practices that have worked well in another company. In that same spirit, Ahold USA held a District Director Academy in July 2012 that brought together store operations management from all four of the U.S. local retail divisions for the first time ever. The three-day meeting gave participants an opportunity to share best practices in the pursuit of operational excellence, and focused on the critical role district directors play in bringing their company strategy to life.

In preparation for the academy, HR teams surveyed district directors on where they see gaps and challenges in their day-to-day work and translated these into high priority focus areas. During the three days, district directors discussed initiatives that worked well in their divisions in each of these areas – and where they felt they could learn from each other. Together with their Regional Vice Presidents, they developed their own regional action plans to apply the practices they identified as best suited to their local businesses.

The academy included sessions on how to lead teams and build talent. These addressed how to create a culture where people feel accountable; techniques for listening, giving feedback and coaching employees to improve performance; and useful strategies for district directors to support the talent and bench strength in their districts and stores.

As a result of the academy, district directors in several divisions have already rolled out new initiatives to develop more efficient store processes and to identify and implement best practices within and across regions. These include holding regular meetings between store department heads and divisional leadership, and instituting weekly calls between regional leadership and their teams in the field.

Studying how leadership impacts business results at Ahold Europe

Albert Heijn has been working on a project with a leading Dutch university to study the relationship between leadership and business results. As part of it, the company has offered all 750 of its store managers the opportunity to have 360-degree assessments, which are an important tool for furthering their career and personal development. First results of the overall study provide scientific evidence that shows how employee engagement leads to a better store experience for customers, positively impacting financial results.

Our performance

In this section:

In 2012, we gained market share in challenging economic environments.

We made good progress on our growth strategy and realized significant cost savings that we invested in great value for our customers.

Group key financial indicators

Results	2012 € million	2011 € million	Change versus prior year	% change constant rates
Net sales	**32,841**	30,271	8.5%	3.5%
Underlying operating income	**1,414**	1,375	2.8%	(1.3)%
Underlying operating margin	**4.3%**	4.5%	(0.2)% pt	
Operating income	**1,187**	1,347	(11.9)%	(15.4)%
Income from continuing operations	**830**	1,032	(19.6)%	(22.5)%
Net income	**827**	1,017	(18.7)%	(21.6)%

Leverage and liquidity	2012	2011	Change versus prior year
Liquidity (€ billion)	**2.9**	3.6	(19.4%)
Net debt (€ million)	**1,360**	1,088	25.0%
Debt leverage (times)[1]	**1.8**	1.8	–
Free cash flow (€ million)	**1,188**	965	23.1%

Shareholders	2012 €	2011 €	Change versus prior year
Net income per common share (basic)	**0.80**	0.92	(13.0)%
Adjusted income from continuing operations per share[2]	**1.00**	0.91	9.9%
Dividend payout ratio[3]	**44%**	41%	3% pt
Dividend per common share	**0.44**	0.40	10.0%
Total shareholders return	**13.8%**	(5.4)%	19.2% pt

Other information	2012	2011	Change versus prior year
Number of stores (including franchise stores)	**3,074**	3,008	2.2%
Capital expenditures (excluding acquisitions)	**930**	808	15.1%
Number of employees	**225,000**	218,000	3.2%
Credit rating (Standard & Poor's / Moody's)	**BBB / Baa3**	BBB / Baa3	–

Certain key performance indicators contain non-GAAP measures. The definition of these non-GAAP measures are described on page 51 of this Annual Report.

1 The debt leverage ratio of the net lease adjusted debt divided by EBITDAR is defined in the *Non-GAAP measures* section.
2 For more information on adjusted income from continuing operations, see *Our performance* section.
3 Dividend payout ratio is based on adjusted income from continuing operations, see *Our performance* section for more information.

Net sales

€1,188m

Free cash flow

€0.44

Dividend per common share

BBB/Baa3

Credit rating

We delivered another year of solid performance in 2012.

In 2012, customers continued to focus on value while expecting quality, leading to a heightened focus on price and promotion in all of our markets. The overall uncertain economic climate, high unemployment and continued inflation resulted in lower consumer confidence and cautious spending. We continued to successfully adapt to these market conditions, investing to maintain an attractive proposition for our customers, while managing the balance between sales and margins. Overall, we grew market share and delivered another year of positive identical sales growth in the United States and the Netherlands.

Net sales in 2012 were €32.8 billion, up 8.5% compared to 2011. At constant exchange rates, net sales grew 3.5%. Our underlying operating margin was 4.3%. Operating income was €1.2 billion, negatively impacted by significant non-recurring charges, which included the net additional pension costs and the write-down of capitalized software development costs.

We were able to invest in our offering and deliver better value to customers, while also reducing pressure on margins, as a result of our rigorous approach to cost control. To further fuel these investments, we increased the target for our three-year (2012-2014) cost savings program from €350 million to €600 million, including sourcing and commercial efficiency as additional focus areas.

Our business continued to achieve strong cash generation and, in 2012, we delivered a record free cash flow of €1.2 billion. Strong operating cash flows enable us to invest in growth by further developing and rolling out our successful store formats, building our online business and expanding our geographic reach.

During 2012 we invested cash for business acquisitions of €0.7 billion and made payments for regular capital expenditures of €0.9 billion.

During the year, we increased our total number of stores by 66 to 3,074 and added 2.4% to our sales area. In the Netherlands, we made an agreement with Jumbo to transfer 82 stores, enhancing Albert Heijn's market position and ability to serve towns and cities where we were not present before. We also expanded our Albert Heijn business further into Belgium, a market we entered in 2011, by opening an additional nine supermarkets, for a total of 11 at year end. Our performance in this market so far is encouraging. *Albert Heijn to go*, our convenience format, was introduced in Germany with three new stores. By 2016, we plan to operate at least 50 supermarkets in Belgium and to open 150 new convenience stores in Europe.

In the Czech Republic, the enhanced commercial proposition, combined with cost control, led to improved performance. We continued to remodel our Czech hypermarkets to a new compact hyper format as part of our ambition to remodel 50 of our large stores by 2016.

Ahold USA further expanded its reach with the acquisition of 15 Genuardi's stores in the Giant Carlisle market area. All of the locations were converted to the Giant banner through a smooth transition process and we see positive initial results from these new stores.

Continuing to broaden our offering for customers and expanding further into the online domain, we acquired the largest non-food online retailer in the Netherlands, bol.com. In 2012, our overall online home delivery grocery business continued to enjoy double-digit growth. To expand this sales channel even more, we accelerated our testing of pick-up points in 2012, opening our first stand-alone pick-up points in the Netherlands and in the United States. In the coming years, we plan to strongly drive the roll-out of additional pick-up points, to offer this convenient shopping alternative to more of our customers. We will continue to look for innovative ways of broadening our online assortment and improving our overall offering across channels.

In 2012, we progressed in making our capital structure more efficient by further reducing our cash balance. While we continue to consistently generate strong free cash flow, we take a balanced approach to allocating capital. Last year, we invested in growth, repaid maturing debt and returned cash to shareholders through the completion of our €1 billion share buyback program and a 38% increase in our dividend. We also delivered on the guidance that we gave for 2012 on capital expenditures, increase in sales area, and net interest, and had a lower effective tax rate.

We remain cautious in our outlook for 2013, and do not expect market conditions to change significantly from last year. We will stay focused on simplifying our business to reduce costs so that we can invest in our offering and further improve the value we provide to our customers. We will continue to drive growth and work to offer our customers a better shopping experience every day, both in our stores and online. Reflecting the confidence we have in our strategy and our ability to generate cash, we propose a 10% increase in our dividend to €0.44 per common share. This represents a payout of 44% of adjusted income from continuing operations that amounted to €1,044 million or €1.00 per share in 2012. Our strong balance sheet enables us to launch a new 12-month €500 million share buyback program while continuing to actively pursue our growth strategy and taking advantage of opportunities as they arise.

At current exchange rates, we expect net interest expense for 2013 to be in the range of €200 million to €220 million, excluding €24 million notional interest related to pensions, following the implementation of the amendments to IAS 19. Capital expenditures, excluding acquisitions, are expected to be around €0.9 billion. Our ambition for return on capital employed is to stay in the top quartile of the food retail sector.

Financial review

Results from operations

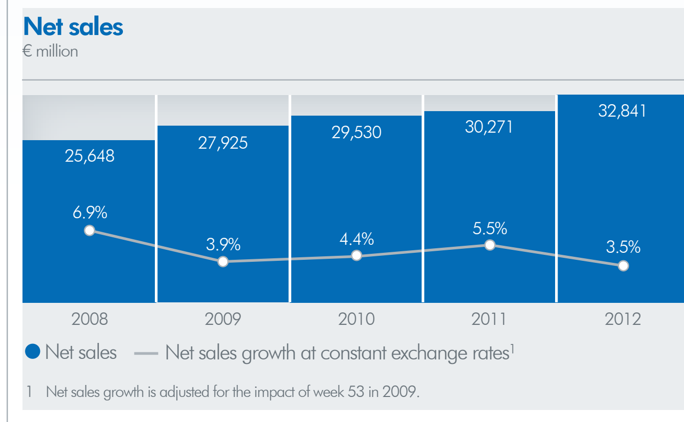
Ahold's 2012 and 2011 consolidated income statements are summarized as follows:

	2012 € million	**% of net sales**	2011 € million	% of net sales
Net sales	**32,841**	**100.0%**	30,271	100.0%
Gross profit	**8,524**	**26.0%**	7,921	26.2%
Underlying operating expenses	**(7,110)**	**(21.7)%**	(6,546)	(21.7)%
Underlying operating income	**1,414**	**4.3%**	1,375	4.5%
Impairments	**(55)**		(25)	
Gains on the sale of assets	**21**		12	
Restructuring and related charges	**(193)**		(15)	
Operating income	**1,187**	**3.6%**	1,347	4.4%
Net financial expense	**(227)**		(316)	
Income taxes	**(211)**		(140)	
Share in income of joint ventures	**81**		141	
Income from continuing operations	**830**	**2.5%**	1,032	3.4%
Loss from discontinued operations	**(3)**		(15)	
Net income	**827**	**2.5%**	1,017	3.4%

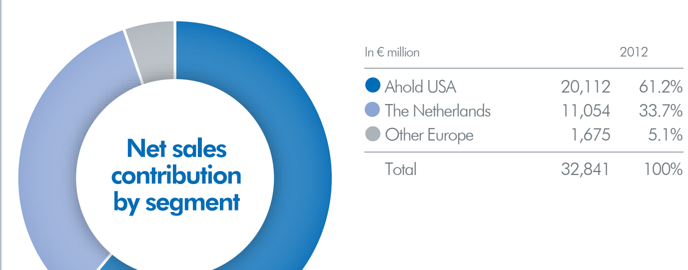
Net sales

Net sales in 2012 were €32.8 billion, up 8.5% compared to 2011. At constant exchange rates, net sales growth in 2012 was 3.5%. We delivered solid sales performance in the United States and the Netherlands, despite market conditions that remained challenging. Net sales growth was positively impacted by identical sales growth; store remodeling and expansion; the acquisition of bol.com; and new stores openings, including the acquisition of 15 Genuardi's and two Fresh & Green's stores in the United States and 15 stores in the Netherlands that were converted after the agreement to transfer 82 stores from Jumbo. You can read more about our operating companies' net sales in *Performance by segment*.

Our net sales consist of sales to consumers and to franchise stores. Franchise stores typically operate under the same format as Ahold-operated stores. Franchisees generally purchase merchandise from Ahold, pay a franchise fee and receive support services, including management training, field support and marketing and administrative assistance.



1 Net sales growth is adjusted for the impact of week 53 in 2009.



In € million	2012	
Ahold USA	20,112	61.2%
The Netherlands	11,054	33.7%
Other Europe	1,675	5.1%
Total	32,841	100%

Financial review (continued)

Operating income

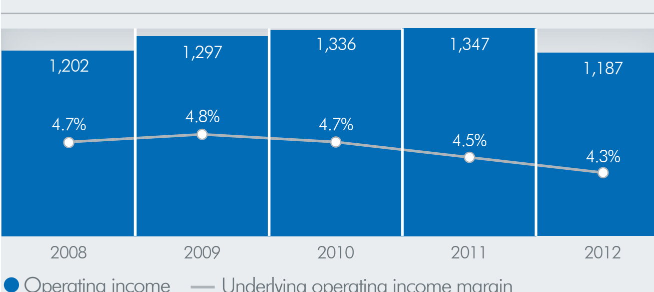
In 2012, operating income was €1.2 billion, down €160 million or 11.9% compared to 2011. Underlying operating income (which excludes impairments, gains on the sale of assets, and restructuring and related charges listed below and totaling €227 million in 2012) was up 2.8% to €1.4 billion. Underlying operating margin, at 4.3% of net sales in 2012, was 0.2 percentage points lower compared to 2011 due to investments in value and growth in our main markets.

Underlying Corporate Center costs were €82 million, up €2 million compared to 2011. Excluding the impact of our self-insurance activities, underlying Corporate Center costs were also €82 million, €12 million higher than last year.

You can read more about our operating companies' results in *Performance by segment*.

Operating income

€ million



In € million	2012	
Ahold USA	831	56%
The Netherlands	644	43%
Other Europe	21	1%
Total (before Corporate Center costs)	1,496	100%

Impairment of assets

Ahold recorded the following impairments and reversals of impairments of assets (primarily related to stores) in 2012 and 2011:

€ million	2012	2011
Ahold USA	**(36)**	(23)
The Netherlands	**(1)**	–
Other Europe	**(18)**	(2)
Total	**(55)**	(25)

Gains and losses on the sale of assets

Ahold recorded the following gains on the sale of non-current assets in 2012 and 2011:

€ million	2012	2011
Ahold USA	**4**	3
The Netherlands	**7**	9
Other Europe	**–**	–
Corporate Center	**10**	–
Total	**21**	12

Restructuring and related charges

Restructuring and related charges in 2012 and 2011 were as follows:

€ million	2012	2011
Ahold USA	**(180)**	(15)
The Netherlands	**26**	–
Other Europe	**–**	–
Corporate Center	**(39)**	–
Total	**(193)**	(15)

Restructuring and related charges at Ahold USA were connected with the settlement of the U.S. frozen pension plan (€90 million). Out of this total settlement (€121 million), a portion was also recorded in Corporate Center (€31 million), along with acquisition costs (€6 million) related to the acquisition of bol.com.

Additionally in 2012, we wrote down €88 million ($116 million) of capitalized software development costs at Ahold USA. Ahold has been conducting parallel implementations of a suite of retail applications in both the United States and Europe. Following a review of our systems development strategy we have decided to focus our resources on the development of the retail suite in Europe where we already have several elements successfully implemented. In the U.S. we will focus on areas likely to provide the greatest benefits, such as customer loyalty, point of sale and e-commerce.

In the Netherlands, restructuring and related charges resulted from a gain on pension curtailment (€31 million).

In 2011, restructuring and related charges at Ahold USA mainly resulted from the transition of certain logistics activities.

Net financial expense

Net financial expense, at €227 million, decreased by €89 million compared to 2011. Last year, net financial expense included a financial guarantee provision of €92 million, which was the estimated impact of a judgment rendered in the Stop & Shop Bradlees lease litigation with Vornado (as further described in *Note 9* to the consolidated financial statements).

Interest expense, at €236 million, was down €9 million mainly following debt reductions in 2012 of €0.4 billion, partly offset by a stronger U.S. dollar against the euro in 2012. Net interest expense of €226 million was at the lower end of our guidance of €220-€240 million.

Income taxes

In 2012, income tax expense was €211 million, up €71 million compared to last year. This was mainly due to a €109 million tax benefit resulting from the release of an income tax contingency reserve included in 2011 (as further described in *Note 10* to the consolidated financial statements). The effective tax rate, calculated as a percentage of income before income taxes, was 22.0% (2011: 13.6% or 24.2% when excluding the above-mentioned release).

Financial review (continued)

Share in income of joint ventures

Ahold's share in income of joint ventures, which primarily relates to our 60% shareholding in ICA and our 49% shareholding in JMR, was €81 million in 2012, down by €60 million compared to last year. ICA's results were negatively impacted by a tax provision recognized by ICA following an adverse court ruling (the impact on Ahold's results was €90 million).

On September 4, 2012, in line with its aim to focus the execution of its reshaping retail growth strategy on businesses the company controls, Ahold announced that it was exploring strategic options regarding its holding in ICA and had initiated a review that was expected to take 6-12 months. On February 11, 2013, we announced that we reached an agreement with Hakon Invest of Sweden to sell our 60% stake for SEK 21.2 billion in cash (which includes ICA's 2012 dividend of SEK 1.2 billion). The transaction, subject to regulatory approvals as well as approval by the ICA's Retailers Association (ICA Forbundet) for the financing of the transaction, is expected to be completed in the middle of 2013. You can read more about ICA's and JMR's results in *Performance by segment*.

Loss from discontinued operations

In 2012 and 2011, results from discontinued operations were impacted by various adjustments to the results of prior years' divestments (primarily U.S. Foodservice and Tops), as a consequence of warranties and indemnifications provided in the relevant sales agreements.

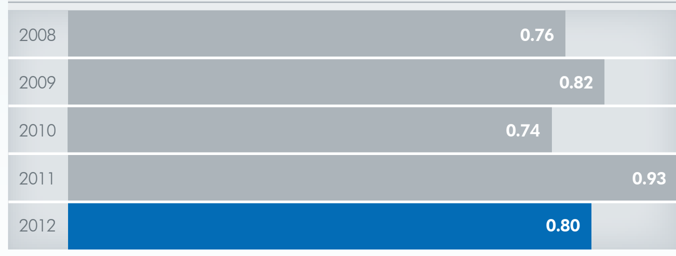
For further information about discontinued operations, see *Note 5* to the consolidated financial statements.

Earnings and dividend per share

Basic income from continuing operations per common share was €0.80, a decrease of €0.13 or 14% compared to 2011. This deterioration was primarily driven by impairments and restructuring and related charges (in connection with the write-down of capitalized software) as well as lower share in income from joint ventures.

The average number of outstanding common shares decreased as a result of the shares repurchased under the €1 billion share buyback program that we commenced in March 2011 and completed in March 2012. The value of shares repurchased in 2012 amounted to €277 million. The decrease in the average number of outstanding common shares was marginally offset by shares that were issued under employee share-based compensation programs.

Income from continuing operations per common share (basic) (€)

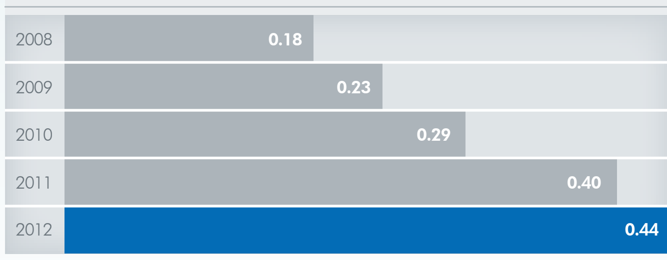


As part of our dividend policy we adjust income from continuing operations for significant non-recurring items. Adjusted income from continuing operations amounted to €1,044 million and €1,009 million in 2012 and 2011, respectively, and was determined as follows:

€ million	2012	2011
Income from continuing operations	830	1,032
Add-back:		
Frozen plan settlement (after-tax)	72	–
Write-down of capitalized software development costs (after-tax)	52	–
ICA adverse tax ruling	90	–
Release of tax contingency reserve	–	(109)
Provision related to Vornado (after-tax)	–	86
Adjusted income from continuing operations	**1,044**	1,009
Adjusted income from continuing operations per share	**1.00**	0.91

We reinstated our annual dividend in 2007 and announced that we intended to increase future annual dividends while meeting the capital needs of the business and maintaining an efficient investment grade capital structure.

Dividend per common share (2012 includes proposed dividend) (€)



We propose a common stock dividend of €0.44 for the financial year 2012, up €0.04 or 10% from last year. It represents a payout ratio of 44%, which is in line with our dividend policy to target a payout ratio in the range of 40-50% of adjusted income from continuing operations.

Additionally, our solid balance sheet and strong free cash flow generation enables us to launch a new 12-month €500 million share buyback program.

Financial review (continued)

Financial position

Ahold's consolidated balance sheets as of December 30, 2012, and January 1, 2012, are summarized as follows:

€ million	December 30, 2012	January 1, 2012
Property, plant and equipment	**6,038**	5,984
Intangible assets	**1,569**	836
Other non-current assets	**3,059**	2,967
Cash, cash equivalents and short-term deposits	**1,886**	2,592
Inventories	**1,492**	1,466
Other current assets	**1,038**	1,135
Total assets	**15,082**	14,980
Equity	**5,995**	5,877
Non-current portion of long-term debt	**3,107**	3,144
Other non-current liabilities	**1,553**	1,345
Short-term borrowings and current portion of long-term debt	**139**	536
Payables	**2,667**	2,436
Other current liabilities	**1,621**	1,642
Total equity and liabilities	**15,082**	14,980

Property, plant and equipment increased by €54 million as capital expenditures were mostly offset by depreciation, impairments and the weakening of the U.S. dollar against the euro. The increase in intangible assets primarily relates to the 2012 acquisitions.

For the total Group, our defined benefit plans, excluding unrecognized actuarial losses, showed a deficit of €654 million at year end 2012 compared to a surplus of €255 million at year end 2011. This deterioration was due to lower interest rates in both the Netherlands and the United States, and partially offset by positive investment results on the plan assets and cash contributions made to the plans.

A significant number of union employees in the United States are covered by multi-employer plans. With the help of external actuaries, we have updated the most recent available information that these plans have provided (generally as of December 31, 2011) for market trends and conditions through the end of 2012. We estimate our proportionate share of the total net deficit to be $967 million (€732 million) at year end 2012 (2011: $943 million or €729 million). These amounts are not recognized on our balance sheet. While this is our best estimate based on the information available to us, it is imprecise and not necessarily reliable. For more information see *Note 23* to the consolidated financial statements.

Equity increased by €118 million, mainly as a result of the addition of the current year's net income, partially offset by the dividend payment related to 2011 and the €1 billion share buyback program we completed in March 2012.

The decrease in short-term borrowings and current portion of long-term debt results from a redemption of the €407 million notes due in March 2012. These notes have been swapped to $362 million and the fair value of the underlying hedge (€141 million) was included in other current assets as of January 1, 2012, and subsequently settled on maturity.

In 2012, gross debt decreased by €434 million to €3.2 billion, primarily as a result of the redemption of €407 million notes and the weakening of the U.S. dollar against the euro. Ahold's net debt of €1,360 million as of December 30, 2012, was up €272 million compared to last year. Net debt does not include our commitments under operating lease contracts, which, on an undiscounted basis, amount to €5.7 billion.

These off-balance sheet commitments impact our capital structure. The present value of these commitments is added to net debt to measure our leverage against EBITDAR (i.e. underlying operating income before depreciation, amortization and gross rent expense). The ratio of net lease-adjusted debt to EBITDAR stood at 1.8 times at year end 2012, unchanged from last year, as the impact of cash spent was neutralized by the increase of EBITDAR (driven by exchange rates). Under normal conditions we expect to operate at around 2 times, which is consistent with our commitment to maintaining an investment grade credit rating.

Gross and net debt

€ billion

Liquidity and cash flows

Liquidity

Ahold relies on cash provided by operating activities as a primary source of liquidity, in addition to debt and equity issuances in the capital markets, credit facilities and available cash balances. Based on our current operating performance and liquidity position, we believe that cash provided by operating activities and available cash balances (including short-term deposits) will be sufficient for working capital, capital expenditures, dividend payments, interest payments, and scheduled debt repayment requirements for the next 12 months and the foreseeable future. A total of €22 million in loans will mature in 2013, €0.4 billion in 2014 through 2017 and €1.0 billion after 2017.

Our strategy over the past several years has positively impacted the credit ratings assigned to Ahold by Standard & Poor's (S&P) and Moody's. S&P upgraded Ahold's corporate credit rating to BBB with a stable outlook in June 2009 and, since then, this rating has remained unchanged. In March 2011, Moody's affirmed Ahold's Baa3 issuer credit rating with a stable outlook. Maintaining investment grade credit ratings is a cornerstone of our strategy as they serve to lower the cost of funds and to facilitate access to a variety of lenders and markets.

Financial review (continued)

Group credit facility

In June 2011, Ahold completed the refinancing of its five-year €1.2 billion committed credit facility originally maturing in August 2012. The new €1.2 billion committed, unsecured, multi-currency and syndicated credit facility has a base term of five years and includes the possibility of 12-month extensions in each of the first two years. In May 2012, we applied for a 12-month extension period and subsequently agreed with the majority of the participating banks on the extension of the facility in the amount of €1.0 billion from June 2016 to June 2017. The second extension option will be assessed in 2013.

The facility may be used for working capital and for general corporate purposes and provides for the issuance of $550 million (€416 million) in letters of credit. As of December 30, 2012, there were no outstanding borrowings under the credit facility other than letters of credit to an aggregate amount of $244 million (€184 million).

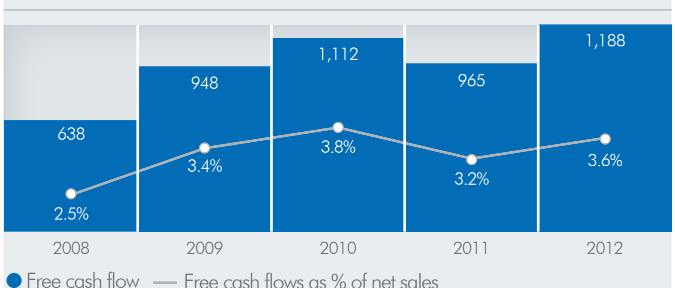
As of year end 2012, liquidity amounted to €2.9 billion, defined as cash (including cash equivalents and short-term deposits) of €1.9 billion and the undrawn portion of the committed credit facility of €1.0 billion. Under normal conditions we expect to operate with liquidity of around €2.0 billion, evenly split between cash and the undrawn portion of our committed credit facilities. It is our intention to move to this level of liquidity as we continue to invest in growth, reduce our debt and return cash to shareholders, resulting in a more efficient capital structure.

Cash flow	2012 € million	2011 € million
Operating cash flows from continuing operations	**2,116**	1,786
Purchase of non-current assets	**(911)**	(755)
Divestment of assets / disposal groups held for sale	**51**	23
Dividends from joint ventures	**157**	130
Interest received	**11**	27
Interest paid	**(236)**	(246)
Free cash flow	**1,188**	965
Repayments of loans and finance lease liabilities	**(534)**	(77)
Dividends paid on common shares	**(415)**	(328)
Share buyback	**(277)**	(837)
Acquisition of businesses, net of cash acquired	**(701)**	(30)
Changes in short-term deposits	**155**	71
Other	**73**	10
Net cash from operating, investing and financing activities	**(511)**	(226)

Free cash flow, at €1,188 million, increased by €223 million compared to 2011. Cash generated from operations was up €330 million, primarily as a result of lower working capital requirements, lower taxes paid, as well as a higher dividend received from ICA and the positive impact of a stronger U.S. dollar against the euro in 2012. This was partially offset by higher levels of capital expenditures.

Free cash flow

€ million



In 2012, the main uses of free cash flow included:

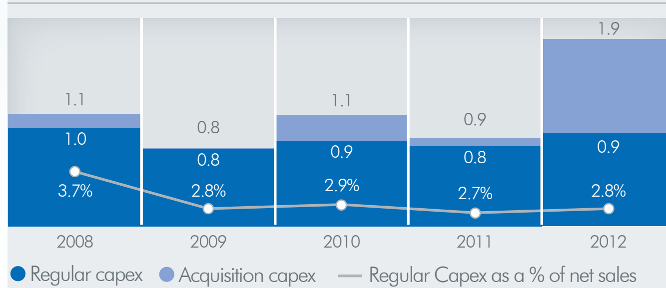
- The acquisition of bol.com, the agreement to transfer 82 stores in the Netherlands from Jumbo, and the acquisitions of 15 Genuardi's and two Fresh & Green's stores in the United States, totaling €701 million
- Returns to shareholders (through our annual dividend and the share buyback program) in the amount of €692 million
- Debt repayments of €534 million, including a redemption of the €407 million notes on maturity; partly offset by a positive impact of the settlement of the cross-currency swap

Financial review (continued)

Capital investments and property overview

Capital expenditures, which include new finance leases, amounted to €1.9 billion in 2012 and €0.9 billion in 2011 and were primarily related to the construction, remodeling and expansion of stores and supply chain and IT infrastructure improvements. In 2012, capital expenditures also included the assets acquired with acquisition of bol.com and 15 Genuardi's stores, and the transfer of 82 stores from Jumbo, including subsequent remodeling costs. Excluding acquisitions, capital expenditures in 2012 were €0.9 billion, in line with our guidance.

Capital expenditures
€ billion



At the end of 2012, we operated 3,074 stores, a net increase of 66 stores. Total sales area increased by 2.4% to 4.7 million square meters. This includes franchise stores and excludes the stores operated by our joint ventures ICA and JMR.

	January 1, 2012	Opened / acquired	Closed / sold	**December 30, 2012**
Ahold USA	756	23	(7)	**772**
The Netherlands[1]	1,946	69	(19)	**1,996**
Other Europe	306	2	(2)	**306**
Total	3,008	94	(28)	**3,074**

1 The number of stores as of December 30, 2012, includes 1,105 specialty stores (Etos and Gall & Gall).

Franchisees operated 809 Albert Heijn, Etos and Gall & Gall stores, 491 of which were either owned by the franchisees or leased independently from Ahold.

	Ahold	Franchisees	**Total**
Number of stores leased or owned	2,583	491	**3,074**
Number of stores subleased to franchisees	(318)	318	**0**
Number of stores operated	2,265	809	**3,074**

Ahold's stores range in size from 20 to 10,000 square meters. The average sales area of our stores in the United States is approximately 3,800 square meters and in Europe approximately 1,300 square meters (excluding Etos and Gall & Gall, which operate much smaller stores).

In 2012, we opened six stand-alone pick-up points which, when added to the total number of stores owned or leased by Ahold, brings the company's total number of retail locations to 2,589.

We also operated the following other properties as of December 30, 2012:

Warehouses / distribution centers / production facilities / offices	87
Properties under construction / development	38
Investment properties	735
Total	**860**

The 735 investment properties consist of buildings and land. Virtually all these properties were subleased to third parties. The majority were shopping centers containing one or more Ahold stores and third-party retail units generating rental income.

The following table breaks down the ownership structure of our 2,589 retail locations and 860 other properties as of December 30, 2012:

% of total	**Retail locations**	**Other properties**
Company-owned	21%	37%
Leased	79%	63%
of which		
Finance leases	13%	7%
Operating leases	66%	56%

Our leased properties have terms of up to 25 years, with renewal options for additional periods. Store rentals are normally payable on a monthly basis at a stated amount or, in a limited number of cases, at a guaranteed minimum amount plus a percentage of sales over a defined base.

Performance by segment

The Netherlands

Our brands

Our online brands

Highlights of the year

- Ahold acquired online non-food retailer bol.com
- Albert Heijn agreed with competitor Jumbo on the transfer of 82 Jumbo / C1000 stores and converted 15 to its banner by year end. It plans to convert the remaining stores in 2013-2014
- Albert Heijn opened its first three pick-up points for customers to collect online grocery orders
- Customers of bol.com can now pick up their orders at 59 Albert Heijn stores
- Albert Heijn opened nine new supermarkets in Belgium and its first three convenience stores in Germany
- Albert Heijn – and Ahold – celebrated its 125th anniversary with customers, employees, neighbors and suppliers
- Through its Appie app, Albert Heijn made online shopping available for customers using their mobile phones
- Albert.nl extended its service area to 500,000 new households, bringing the total to 4.6 million
- Gall & Gall increased market share mainly by growing sales in its existing stores, and also acquired nine Mitra stores and converted them to its banner

1.0%
Identical sales growth

5.8%
Underlying operating margin

Financial results

	2012	2011
Net sales (€ millions)	**11,054**	10,506
Net sales growth	**5.2%**	4.2%
Identical sales growth	**1.0%**	2.8%
Operating income (€ millions)	**676**	675
Underlying operating income (€ millions)	**644**	666
Underlying operating margin	**5.8%**	6.3%
Number of employees / headcount (at year end in thousands)	**93**	89
Number of employees / FTEs (at year end in thousands)	**30**	29
Contribution to Ahold sales	**33.7%**	34.7%
Contribution to Ahold underlying operating income[1]	**43.0%**	45.8%

1 Before Corporate Center costs

Net sales

Net sales amounted to €11 billion in 2012, an increase of 5.2% compared to last year. Albert Heijn supermarkets achieved identical sales growth of 1.1%. Along with store openings, this enabled Albert Heijn to increase its market share in the Netherlands to 33.7%. This year, Albert Heijn also ran successful new consumer campaigns, including its "Route 99" promotion that offered 99 products for 99 eurocents, as one way to provide better value to its customers. Other factors that positively impacted sales growth were the acquisition of bol.com, opening additional supermarkets in Belgium, and opening the company's first three convenience stores in Germany. Online delivery service albert.nl also achieved double-digit sales growth.

Operating income

The Netherlands reported an operating income of €676 million, unchanged from last year. The lower year-over-year underlying margin was impacted by price investments, intensified promotional activity, and an increase in hourly wages. 2012 operating income included €32 million of favorable unusual items, including a €31 million curtailment gain for the Dutch pension plan.

Market share continued to grow

Integrating new stores into our Albert Heijn banner

Albert Heijn reached an agreement with competitor Jumbo on the transfer of 82 stores in 2012 that enables it to serve markets and customers it has not reached before. The company has remodeled 15 of these stores to the Albert Heijn banner so far and plans to convert most of the rest in 2013.

Performance by segment (continued)

Capital allocation

Store portfolio development	2012	2011
Stores at the beginning of the year	**1,946**	1,914
New and acquired stores	**69**	46
Closed and divested stores	**(19)**	(14)
Number of stores at year end	**1,996**	1,946
Stores remodeled / expanded / relocated / reconstructed	**170**	171

Number of stores	2012	2011
Albert Heijn: the Netherlands	**818**	799
Albert Heijn: Belgium	**11**	2
Albert Heijn to go: the Netherlands	**59**	55
Albert Heijn to go: Germany	**3**	–
Etos	**538**	536
Gall & Gall	**567**	554
Total the Netherlands	**1,996**	1,946
Sales area of own-operated stores (in thousands of square meters)	**915**	885

50

Increased store portfolio by 50 new stores

In the Netherlands we remodeled, expanded, relocated or reconstructed 170 stores as part of our continuous focus on keeping our stores fresh and up-to-date. Total investments in the Netherlands amounted to around 3% of sales and ranged from opening new stores to investing in IT, distribution centers, and minor construction work in the stores.

The total number of stores in the Netherlands increased by 50. This number includes 15 of the 82 transferred stores from competitor Jumbo and nine stores acquired by Gall & Gall from competitor Mitra. In Belgium, Albert Heijn opened nine supermarkets and opened its first three convenience stores in Germany.

Ahold also acquired bol.com in 2012, to strengthen our online business and customer offering in non-food. Bol.com is the number one online retailer in the Netherlands, with more than three million customers and 10% of the online market, and has a fast growing presence in Belgium. It offers non-food products in a large variety of categories (such as books, games, toys and health & beauty care), delivered directly to people's homes. Additionally, Albert Heijn opened three pick-up points, and offered bol.com pick-up points in 59 Albert Heijn stores.

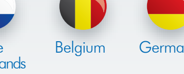
Acquisition of bol.com

Ahold acquired non-food internet retailer bol.com in May, in order to grow our online business and offer customers more choice, greater convenience and better value. Bol.com offers customers in the Netherlands and Belgium a very broad range of products in many non-food categories including books, entertainment, electronics and toys.

The company achieved a great deal in 2012. It launched three new categories of products: baby, kitchen and dining, and health and beauty care. The health and beauty care store is the largest in the Netherlands. The company opened its webstore to other retailers through its bol.com plaza, to further expand the range of products customers can find. It began offering free shipping on orders over €20, to remove an important barrier to customers doing more of their shopping online. Bol.com also doubled its business in Belgium and opened pick-up points in 59 Albert Heijn stores in the Netherlands.

Performance by segment (continued)

Albert Heijn



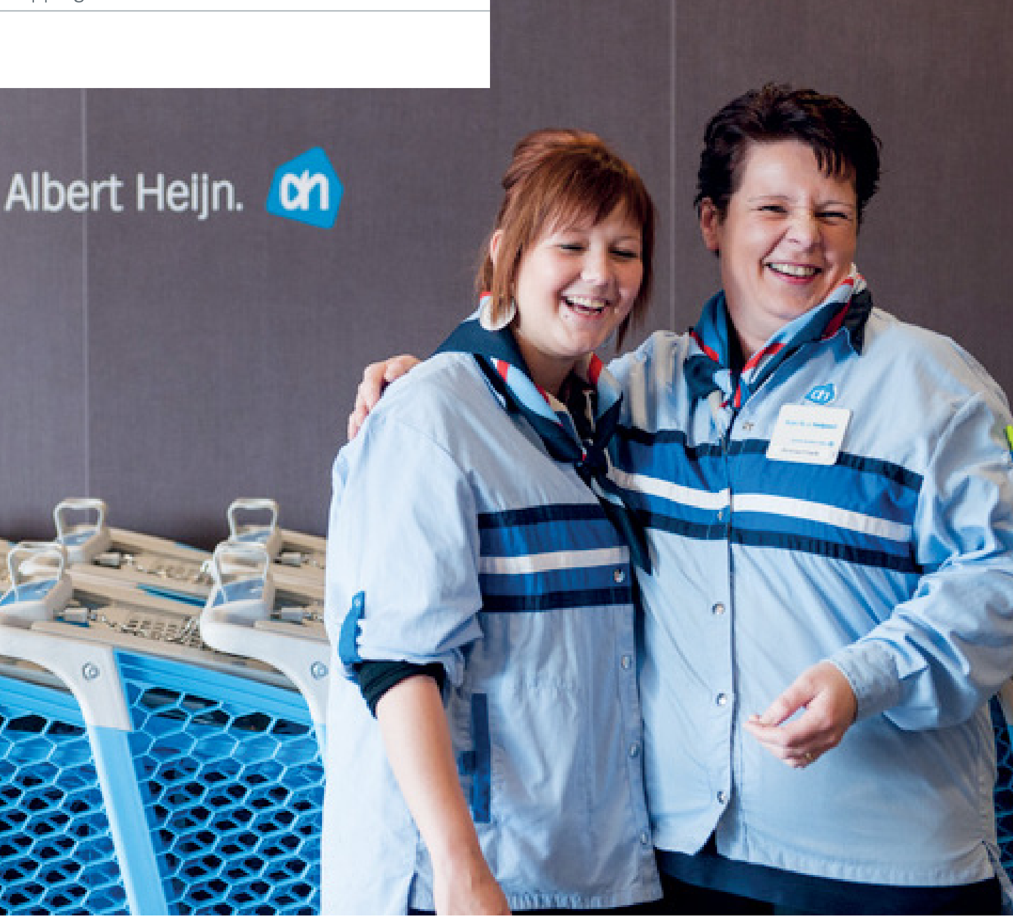
The Netherlands Belgium Germany

The leading food retailer in the Netherlands and one of the countries best-known brands.

Stores

891

Store formats:
Supermarkets, convenience stores and online shopping in food and non-food



Etos

The Netherlands

Etos is one of the largest drugstore chains in the Netherlands.

Stores

538

Store formats:
Drugstores and online shopping

Gall & Gall

The Netherlands

Gall & Gall is the leading wine and liquor retailer in the Netherlands.

Stores

567

Store formats:
Wine and liquor stores and online shopping

Performance by segment (continued)

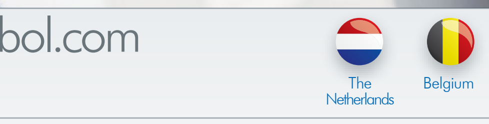
albert.nl

The Netherlands

Albert.nl is the leading online food delivery service in the Netherlands. It works in partnership with Albert Heijn, Etos and Gall & Gall.

Format:
Online daily needs ordering and delivery

bol.com


The Netherlands Belgium

bol.com is the number one online retailer in the Netherlands.

Format:
Online non-food retailer

Performance by segment (continued)

Other Europe

Our brands

Highlights of the year

- Albert rolled out new and improved deli departments in all of its 226 supermarkets in the Czech Republic
- Albert maintained market share in a highly competitive market where other retailers continued to open new stores throughout the year
- Albert continued its rollout of a new compact hyper format, adding another eight stores, with positive results
- The Albert Charity Foundation – set up by Albert in the Czech Republic to support families, promote health and help individuals in need – ran a number of initiatives during the reporting year that contributed to community well-being.

(2.2)%
Identical sales growth (excluding gasoline sales)

1.3%
Underlying operating margin

Operating profit margin continues to improve

Financial results

	2012	2011
Net sales (€ millions)	**1,675**	1,739
Net sales growth	**(3.7)%**	4.8%
Identical sales growth	**(2.3)%**	2.2%
Identical sales growth (excluding gasoline sales)	**(2.2)%**	1.8%
Operating income (€ millions)	**3**	18
Underlying operating income (€ millions)	**21**	20
Underlying operating margin	**1.3%**	1.2%
Number of employees / headcount (at year end in thousands)	**11**	12
Number of employees / FTEs (at year end in thousands)	**10**	10
Contribution to Ahold sales	**5.1%**	5.7%
Contribution to Ahold underlying operating income[1]	**1.4%**	1.4%

1 Before Corporate Center costs

Net sales

Net sales amounted to €1.7 billion in 2012, a decrease of 3.7%, or 1.8% at constant exchange rates. Albert again ran successful consumer campaigns, for example, one promotion tied to the *Ice Age 3* movie and another offering collectible animal cards. Identical sales excluding gasoline decreased 2.2% as the market was under pressure, significantly impacted by an increase in the main value-added tax (VAT) rate from 10% to 14%, which decreased consumer buying power. Albert performed well compared with its competitors and succeeded in maintaining market share, despite its share of stores declining. In Slovakia, sales growth decreased significantly as a result of the closing of two stores and the negative impact of competitive store openings on identical store sales.

Operating income

Albert / Hypernova reported an operating profit of €3 million, a decrease of €15 million over last year. The operating profit included €18 million of impairment charges mainly related to stores in Slovakia. Underlying operating margin improved and the company was able to offset pressure on gross margins from product cost inflation and a competitive, promotion-driven market through a focus on operational improvements and simplification.

Capital allocation

Store portfolio development	2012	2011
Stores at the beginning of the year	**306**	305
New and acquired stores	**2**	1
Closed and divested stores	**(2)**	–
Number of stores at year end	**306**	306
Stores remodeled / expanded / relocated / reconstructed	**17**	27

Number of stores	2012	2011
Czech Republic	**282**	280
Slovakia	**24**	26
Total Other Europe	**306**	306
Sales area of own-operated stores (in thousands of square meters)	**453**	453

In 2012, Albert's main focus areas were the project started in 2011 to remodel all its hypermarkets to a new compact hyper format and the opening of new and improved delis in all its supermarkets. Albert continued the rollout of the new compact hyper format in 2012, bringing the total new compact hypers to nine stores at year end. At the end of 2012, Albert / Hypernova operated 282 stores in the Czech Republic, 13 of which were hypermarkets, 42 compact hypers, and 227 supermarkets. The company also operated 24 stores in Slovakia, four of which were supermarkets and 20 hypermarkets.

Performance by segment (continued)

Continued rollout of the new Compact hyper format in the Czech Republic

Albert in the Czech Republic has been rolling out a new generation of compact hypers that puts the fresh proposition front and center as a way to differentiate it in a very competitive Czech market.

In 2012, Albert opened one new compact hyper and remodeled seven to the new format. All of the company's compact hypers will be renovated to the format over the course of the next three years.

So far they have received positive feedback on the new format from customers, who found the overall store experience improved. Third party research found that, in particular, customers appreciated the freshness and quality of products and the availability and range of dry groceries. The price image improved, thanks to better promotions, and the new format is perceived to be a better place for families with children to shop. IGD Retail Analysis has stated that the new format is an important step forward for the company, creates a point of differentiation from the competition, and should help support sales growth in the longer term.

7

Albert remodeled seven former hypermarkets to successful new compact hypers

Albert/Hypernova

The Czech Republic

Slovakia

Albert and Hypernova are among the best-known food retail brands in the Czech Republic and Slovakia.

Stores
306

Store formats:
Compact hypers and supermarkets

Performance by segment (continued)

Ahold USA

Our brands

Our online brands

Highlights of the year

- Ahold USA achieved market share gains at all four divisions
- Ahold USA demonstrated its competitive advantage and community engagement in the way it served customers during Hurricane Sandy in October and the following recovery period
- Giant Carlisle acquired and converted 15 Genuardi's stores
- Giant Landover acquired and converted two Fresh & Green's stores
- The divisions relaunched and rebranded most of their own-brand grocery products, including their Guaranteed Value own-brand product line. One in five own-brand products were reformulated to meet higher quality standards
- Peapod opened its first eight pick-up points for its customers to collect their orders
- Peapod launched more than 100 virtual grocery stores at high traffic locations, enabling customers to order by scanning product photos on billboards with their smartphones
- The Stop & Shop divisions rolled out ScanIt! Mobile, a smartphone app enabling customers to scan their groceries, tally their orders, receive personalized savings and checkout
- The divisions continued to operate successful loyalty programs, particularly Gas Rewards, with nearly eight of every 10 primary shoppers now participating

0.5%
Identical sales growth (excluding gasoline sales)

4.1%
Underlying operating margin

Financial results

	2012	2011
Net sales (€ millions)	**20,112**	18,026
Net sales ($ millions)	**25,845**	25,072
Net sales growth	**3.1%**	6.6%
Identical sales growth	**1.4%**	4.9%
Identical sales growth (excluding gasoline sales)	**0.5%**	2.9%
Operating income (€ millions)	**619**	734
Operating income ($ millions)	**792**	1,021
Underlying operating income (€ millions)	**831**	769
Underlying operating margin	**4.1%**	4.3%
Number of employees / headcount (at year end in thousands)	**121**	117
Number of employees / FTEs (at year end in thousands)	**85**	82
Contribution to Ahold sales	**61.2%**	59.6%
Contribution to Ahold underlying operating income[1]	**55.6%**	52.8%

1 Before Corporate Center costs

Net sales

Net sales, at $26 billion, increased by 3.1% in 2012. Identical sales, excluding gasoline, increased by 0.5%. In challenging market conditions, all four Ahold USA divisions achieved market share gains in the supermarket channel. Sales growth benefited from successful promotions, acquired and new stores, and effective loyalty programs. Online business Peapod continued to deliver double-digit sales growth in its existing market area, launched virtual grocery stores and opened eight pick-up points where customers can drive by and conveniently pick up their online orders.

Operating income

Ahold USA achieved an operating income of $792 million, which was $229 million lower than last year. Operating profit included $118 million of pension costs related to the settlement of the U.S. frozen pension plan and $116 million write-down of capitalized software development costs. Underlying operating profit, at 4.1%, decreased as pressure on gross margins continued, due to product cost inflation and a competitive, promotion-driven market. The divisions were able to compensate for this, to a large extent, through a more competitive cost base, and by continuing to focus on operational improvements and simplification.

Market share continued to grow

Best in Fresh at Ahold USA

Having outstanding Fresh departments is key to building customer loyalty. The U.S. divisions are working to be "Best in Fresh" among key competitors in all their markets – as defined by customers through intensive research. They are creating a "Fresh-centered" company culture, testing and reformulating own-brand products to be freshest in the marketplace and creating more powerful and aligned communications to customers about their Fresh offering.

Performance by segment (continued)

Capital allocation

Store portfolio development	2012	2011
Stores at the beginning of the year	**756**	751
New and acquired stores	**23**	17
Closed and divested stores	**(7)**	(12)
Number of stores at year end	**772**	756
Stores remodeled / expanded / relocated / reconstructed	**64**	58

Number of stores	2012	2011
Stop & Shop New England	**219**	217
Stop & Shop New York Metro	**184**	183
Giant Landover	**171**	173
Giant Carlisle	**198**	183
Total Ahold USA	**772**	756
Sales area of own-operated stores (in thousands of square meters)	**2,955**	2,893

In 2012, the Ahold USA divisions remodeled, expanded, relocated or reconstructed 64 stores as part of their continuous focus on keeping stores fresh and up-to-date. Total investments at Ahold USA amounted to around 3% of sales and ranged from new stores to investments in IT, distribution centers, and minor construction work in the stores.

Ahold USA increased its number of stores by 16, net of seven closings. The new stores included 15 Genuardi's stores in the greater Philadelphia area acquired by Giant Carlisle and converted to its banner; and two Fresh & Green's stores in Baltimore acquired and converted by Giant Landover. Peapod opened its first eight pick-up points in 2012.

At the end of 2012, Ahold USA operated 211 fuel stations, an increase of 20 stations over last year, the majority of which are located in the Stop & Shop New England and Giant Carlisle market areas.

16

Increased store portfolio by 16 new stores

Integrating the customer strategy into category business decision-making at Ahold USA

Our U.S. divisions continue to develop how they use customer insights to make decisions about their customer offering and ensure that customers find the products that they want. This is helping them make better decisions – and get better results.

In 2012, the U.S. divisions introduced a new assortment tool that enables them to analyze customer card data and rank products in the stores by their importance to their best customers. This insight can then be used by merchandising teams to adjust the assortment to fit customers' needs. Using this new process, they reset 130 categories and subcategories throughout the stores in all divisions – representing close to half of their sales. Early results are encouraging, with sales trends improving in many of the reset categories. They also used their knowledge about the shopping behavior of value-conscious "dollar stretcher" customers to reformulate their Guaranteed Value own-brand product line. They eliminated dozens of items that were not relevant to these shoppers and introduced new products that were more appealing. Results have been very positive, with Guaranteed Value sales up 19%.

Performance by segment (continued)

Stop & Shop New England

USA

Stop & Shop is a leading supermarket brand in the northeastern United States.

Market area:
Connecticut (except South Western Connecticut), Massachusetts, New Hampshire, and Rhode Island, in the United States

Stores
219

Store formats:
Supermarkets and super stores

Stop & Shop New York Metro

USA

Stop & Shop is a leading supermarket brand in the northeastern United States.

Market area:
Connecticut (South Western Connecticut), New York and New Jersey, in the United States

Stores
184

Store formats:
Supermarkets and super stores

Giant Landover

USA

Giant Landover is a leading supermarket brand in the mid-Atlantic United States.

Market area:
Virginia, Maryland, Delaware, and the District of Columbia, in the United States

Stores
171

Store formats:
Supermarkets and super stores

Performance by segment (continued)

Giant Carlisle Martins

USA

Giant Carlisle is a leading supermarket brand in the mid-Atlantic United States.

Market area:
Pennsylvania, Virginia, Maryland and West Virginia, in the United States

Stores
198

Store formats:
Supermarkets and super stores

Peapod

USA

Peapod is the leading online grocery service in the United States. It works in partnership with Stop & Shop, Giant Landover and Giant Carlisle.

Market area:
Connecticut, District of Columbia, Illinois, Indiana, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Virginia and Wisconsin, in the United States

Format: Online grocery service

Performance by segment (continued)

Joint ventures

Highlights ICA

- Per Strömberg joined ICA as CEO, starting April 1, 2012. He succeeded Kenneth Bengtsson, who had been CEO for the past 11 years
- ICA launched a new group strategy in September, based on the vision of making every day a little easier for customers
- ICA streamlined its Norwegian operations by divesting the lease agreements and properties of Norwegian ICA Maxi to Lagopus
- The Swedish Administrative Court of Appeal ruled in a tax dispute involving ICA, resulting in a total tax claim to ICA of SEK 1.3 billion

Highlights JMR

- In a very challenging economic environment, JMR was able to reinforce its price position and competitiveness and strengthen of Pingo Doce's position through major commercial campaigns
- JMR successfully managed operating costs despite high inflation in a number of areas

Key figures

	ICA	JMR
Number of stores at year end 2012	2,209	374
Percentage shares held by Ahold at year end 2012	60%	49%
On 100% stake basis:		
Net sales (€ million)	11,125	3,295
Net income (€ million)	118	10

ICA

ICA is a food retail group headquartered in Stockholm, Sweden. As of year-end 2012, ICA served 2,209 retailer-owned and company-operated retail stores in Sweden, Norway and the Baltic States. The company also provides consumer financial services in Sweden through its bank.

Ahold owns a 60% stake in ICA AB, which in turn owns the ICA group. The other 40% stake in ICA is held by Hakon Invest AB, a Swedish company listed on the Stockholm Stock Exchange.

Ahold and Hakon Invest AB share equal voting power in ICA AB. In 2012, ICA reached an agreement with Lagopus Eiendomsutvikling AS, a consortium of four companies, regarding the transfer of lease agreements and properties in Norway. As part of this agreement, ICA will close all of its ICA Maxi stores in Norway. This agreement follows ICA's announcement in 2011 that it would divest its Norwegian ICA Maxi stores and their properties.

On September 4, 2012, in line with its aim to focus the execution of its reshaping retail growth strategy on businesses the company controls, Ahold announced that it was exploring strategic options regarding its holding in ICA and had initiated a review that was expected to take 6-12 months. On February 11, 2013, we announced that we reached an agreement with Hakon Invest of Sweden to sell our 60% stake for SEK 21.2 billion in cash (which includes ICA's 2012 dividend of SEK 1.2 billion). The transaction, subject to regulatory approvals as well as approval by the ICA's Retailers Association (ICA Forbundet) for the financing of the transaction, is expected to be completed in the middle of 2013.

Net sales

In 2012, net sales were €11.1 billion, an increase of 2.0% at constant exchange rates. The increase was due to a solid performance in Sweden and the Baltic States, as well as higher revenues by ICA Bank. Net sales in Norway decreased compared to last year.

Operating income

Operating income increased by €45 million to €383 million at an operating margin of 3.4%. At constant exchange rates, operating profit increased €30 million, mainly due to an improved performance in Sweden and in the Baltic States.

Net income

In 2012, net income decreased by €86 million to €118 million. ICA's results were negatively impacted by a tax provision recognized by the company following an adverse court ruling (the impact on Ahold's results was €90 million).

JMR

In 1992, Ahold partnered with Jerónimo Martins, SGPS, S.A. in the joint venture JMR, which is headquartered in Lisbon, Portugal. Ahold holds 49% of the shares in JMR and shares equal voting power on JMR's board of directors with Jerónimo Martins, SGPS, S.A. At the end of 2012, JMR owned and operated 374 stores in Portugal under the brand name Pingo Doce, three more than in 2011.

Net sales

In 2012, net sales increased by 2.9% to €3.3 billion, driven by sales from new stores. Sales growth was impacted by lower overall consumption in Portugal, due to the euro crisis and government measures. Halfway through 2012, JMR started an aggressive and successful promotional campaign that helped it to remain competitive and gain customers.

Operating income

In 2012, operating income decreased by €36 million to €56 million, resulting in an operating margin of 1.7%. Intense promotional pressure and the buying behavior of value-focused customers negatively impacted operating margin.

Net income

In 2012, net income decreased by €22 million to €10 million, mainly as a result of lower operating income.

Non-GAAP measures

This Annual Report includes the following non-GAAP financial measures:

Adjusted income from continuing operations
Income from continuing operations adjusted for significant non-recurring items. This measure is a component of Ahold's dividend policy, whereby the dividend payout ratio has been set to be 40-50% of adjusted income from continuing operations.

Comparable sales
Identical sales plus net sales from replacement stores in local currency. Comparable sales are only reported for Ahold USA.

Corporate Center costs
Corporate Center costs relate to the responsibilities of the Corporate Center, including Corporate Finance, Corporate Strategy, Internal Audit, Legal, Compliance, Human Resources, Information Technology, Insurance, Communications, Corporate Responsibility, and the Corporate Executive Board. Corporate costs also include results from other activities coordinated centrally but not allocated to any operating company. Underlying Corporate Center costs exclude impairments of non-current assets, gains and losses on the sale of assets, and restructuring and related charges, including business acquisition transaction costs.

Free cash flow
Operating cash flows from continuing operations minus net capital expenditures minus net interest paid, plus dividends received. Ahold's management believes this measure is useful because it provides insight into the cash flow available to, among other things, reduce debt and pay dividends.

Gross rent
Gross rent comprises all of the rent that Ahold is required to pay to third parties and is not corrected for rent income Ahold receives from other third parties.

Identical sales
Net sales from exactly the same stores and online sales in existing market areas, in local currency for the comparable period.

Identical sales, excluding gasoline net sales
Because gasoline prices have experienced greater volatility than food prices, Ahold's management believes that by excluding gasoline net sales, this measure provides a better insight into the growth of its identical store sales.

Liquidity
Cash and cash equivalents, short-term deposits, and undrawn funds available under the committed credit facility. Ahold's management believes this measure is useful because it provides insight into funds available to manage the company.

Net debt
Net debt is the difference between (i) the sum of loans, finance lease liabilities, cumulative preferred financing shares and short-term debt (i.e. gross debt) and (ii) cash, cash equivalents, and short-term deposits. In management's view, because cash, cash equivalents, and short-term deposits can be used, among other things, to repay indebtedness, netting this against gross debt is a useful measure for investors to judge Ahold's leverage. Net debt may include certain cash items that are not readily available for repaying debt.

Net lease adjusted debt / EBITDAR
Net debt increased by the present value of future operating lease commitments over underlying operating income before depreciation, amortization and gross rent expense. Ahold's management believes this measure is useful because it provides insight into Ahold's leverage, adjusted for the impact of operating leases that count for a significant part of Ahold's capital structure.

Net sales at constant exchange rates
Net sales at constant exchange rates exclude the impact of using different currency exchange rates to translate the financial information of Ahold subsidiaries or joint ventures to euros. Ahold's management believes this measure provides a better insight into the operating performance of Ahold's foreign subsidiaries or joint ventures.

Net sales in local currency
In certain instances, net sales are presented in local currency. Ahold's management believes this measure provides a better insight into the operating performance of Ahold's foreign subsidiaries.

Operating income in local currency
In certain instances operating income is presented in local currency. Ahold's management believes this measure provides better insight into the operating performance of Ahold's foreign subsidiaries.

Return on capital employed
Return on capital employed (ROCE) is calculated as the sum of underlying operating income and the 50% gross rent add back, divided by the annual rolling average of the sum of property, plant and equipment, intangible assets, working capital components, and gross rent expense multiplied by eight.

Total shareholder return
Total Shareholder Return (TSR) is the sum of share price growth and dividends paid. In this report, we disclose TSR as defined for the purposes of Ahold's Global Reward Opportunity (GRO) program. A daily TSR index obtained from Thomson Reuters is averaged over a six-month period preceding the year end (average TSR index). Annual TSR is an increase in the average TSR index compared to the average TSR index in the previous year.

Underlying operating income
Total operating income, adjusted for impairments of non-current assets, gains and losses on the sale of assets, and restructuring and related charges, including business acquisition transaction costs. Ahold's management believes this measure provides better insight into the underlying operating performance of Ahold's operations.

Management believes that these non-GAAP financial measures allow for a better understanding of Ahold's operating and financial performance. These non-GAAP financial measures should be considered in addition to, but not as substitutes for, the most directly comparable IFRS measures.

Governance

In this section:

We are committed to a corporate governance structure that best supports our business and meets the needs of our stakeholders.

How we manage risk

Having a structured and consistent approach to managing risks and uncertainties is key to being able to fulfill our stakeholders' expectations.

Ahold's risk management and control systems are designed to provide reasonable assurance that the Company's business objectives are achieved.

Risk management and internal control

Enterprise risk management

Ahold's enterprise risk management program is designed to provide executive management with an understanding of the Company's key business risks and associated risk management practices. At each operating company, management identifies the principal risks to the achievement of important business objectives and the actions needed to mitigate these risks. Committees comprised of senior executives at each operating company periodically review these risks and the related mitigation practices. The findings are consolidated into an enterprise risk management report that is presented to the Corporate Executive Board and the Supervisory Board. Executive management at each operating company is required to review the principal risks and risk management practices with the Corporate Executive Board as a regular part of the business planning and performance cycle. In turn, the Corporate Executive Board provides complementary insights into existing and emerging risks that are subsequently included in the program. The outcome of the Company's enterprise risk management program influences the formation of controls and procedures, the scope of internal audit activities and the focus of the business planning and performance process.

Ahold Business Control Framework

We maintain the Ahold Business Control Framework (ABC Framework), which incorporates risk assessment, control activities and monitoring into our business practices at entity-wide and functional levels. The aim of the ABC Framework is to provide reasonable assurance that risks to achieving important objectives are identified and mitigated. The ABC Framework is based on the recommendations of the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have developed uniform governance and control standards in areas such as ethical conduct, agreements and accounting policies. These and other Corporate Executive Board-approved policies and procedures are incorporated into the ABC Framework as mandatory guidelines for all of Ahold's consolidated entities. Within this framework, local management is responsible for business operations, including risk mitigation and compliance with laws and regulations. Authority limits have been established to ensure that all expenditures and decisions are approved by the appropriate levels of management.

Our key control requirements are documented in Ahold Control Memoranda (ACMs). Compliance with the ACMs is mandatory for all of Ahold's fully-owned entities. The ACMs cover controls relating to financial reporting and various other business processes. They include the requirement for management to assess the operating effectiveness of all key controls.

Code of Conduct

Our Global Code of Conduct (the "Code") was revised in 2011, and became effective in early 2012. The Code focuses on Ahold's core value "Doing what's right" and establishes Group-wide principles and rules with regard to employee conduct. It is intended to help each employee understand and follow relevant compliance and integrity rules and know when and where to ask for advice or report a breach of the Code. The principles of the Code apply to all employees of Ahold and its operating companies, as well as to third parties hired by or acting for and on behalf of Ahold. Employees of defined grade levels have been trained and acknowledge compliance with the Code on an annual basis. The full Code is available in the corporate governance section of Ahold's public website at www.ahold.com.

How we manage risk (continued)

Monitoring

We use a comprehensive business planning and performance review process to monitor the Company's performance. This process covers the adoption of strategy, budgeting and the reporting of current and projected results. We assess business performance according to both financial and non-financial targets. In order to meet business needs and the requirements of the Dutch Corporate Governance Code, we have a Group-wide management certification process in place, which requires that the executive management team members at each of our reporting entities send letters of representation to the Corporate Executive Board on a quarterly basis. These letters confirm whether they are in compliance with Ahold's global Code of Conduct, policies on fraud prevention and detection, accounting and internal control standards, and disclosure requirements. Compliance with Ahold's responsible retailing standards is confirmed through bi-annual letters of representation. Both our Internal Control and Internal Audit functions help to ensure that we maintain and improve the integrity and effectiveness of our system of risk management and internal control. Internal Audit undertakes regular risk-based, objective and critical audits. The function also monitors the effectiveness of corrective actions undertaken by management, including significant audit findings.

Governance Risk and Compliance Committee

The Governance, Risk and Compliance (GRC) Committee oversees governance, risk and compliance activities within the Ahold group and reviews relevant reports that are submitted to the Corporate Executive Board, the Supervisory Board and the Audit Committee. During 2012, the GRC Committee met quarterly. Ahold's Chief Corporate Governance Counsel (chair) and Chief Financial Officer sit on the GRC Committee, as do other members of management responsible for key governance, risk and compliance functions.

Declaration

Annual declaration on risk management and control systems regarding financial reporting risks

Ahold supports the Dutch Corporate Governance Code and makes the following declaration in accordance with best practice provision II.1.5:

The Corporate Executive Board is responsible for establishing and maintaining adequate internal risk management and control systems. Such systems are designed to manage rather than eliminate the risk of failure to achieve important business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

With respect to financial reporting, management has assessed whether the risk management and control systems provide reasonable assurance that the 2012 financial statements do not contain any material misstatements. This assessment was based on the criteria set out in COSO: Internal Control – Integrated Framework. It included tests of the design and operating effectiveness of entity level controls, transactional controls at significant locations, and relevant general computer controls. Any control weaknesses not fully remediated at year end were evaluated. Based on this assessment, management determined that the Company's financial reporting systems are adequately designed and operated effectively in 2012.

Risk factors

The principal risk factors that may impede the achievement of Ahold's objectives with respect to strategy, operations, financial and compliance matters are described in the following section. The enterprise risk management system, the governance and control standards incorporated into our ABC Framework, and the monitoring systems described above are the principal means by which we manage these risks. Management is not aware of any important failings in these systems as of year end 2012.

The following discussion of risks relating to Ahold should be read carefully when evaluating the Company's business, its prospects and the forward-looking statements contained in this Annual Report. Any of the following risks could have a material adverse effect on Ahold's financial position, results of operations and liquidity or could cause actual results to differ materially from the results contemplated in the forward-looking statements contained in this Annual Report.

We recognize different strategic, operational, financial, and compliance and regulatory risk categories. The risks described below are not the only risks the Company faces. There may be additional risks that we are currently unaware of or risks that management believes are immaterial or otherwise common to most companies, but which may in the future have a material adverse effect on Ahold's financial position, results of operations, liquidity and the actual outcome of matters referred to in the forward-looking statements contained in this Annual Report. For additional information regarding forward-looking statements, see the *Cautionary notice*.

Strategic risks

We are continuing with our strategy to reshape the way we do business and drive growth. Our six priority areas focus on increasing customer loyalty, broadening our offering, expanding our geographic reach, driving simplicity, being a responsible retailer, and engaging and attracting the best talent. Our promises focus on what we will do to be a better place to shop, a better place to work and a better neighbor everywhere we operate. You can read more about our strategy and ambitions in the *Our strategy section* of this Annual Report.

Ahold is subject to a variety of risks related to our pillar strategies, our promises and the achievement of our ambitions, including execution, macro-economic and competitive risks. If we are unable to execute our plans or meet our ambitions or the expectations of our customers, communities, employees or shareholders, our sales and earnings growth could be adversely affected.

How we manage risk (continued)

Risks related to macro-economic circumstances

The challenging global economic circumstances in recent years have impacted all of the economies and markets in which we operate – and a recovery is slow to materialize. High unemployment, reduced consumer confidence and disposable incomes, and food and fuel price volatility can negatively affect customer demand. The economic conditions, including the euro crisis, have restricted the availability of credit in our markets and are limiting governments' abilities to implement further fiscal stimuli. This may result in sustained sluggish growth in customer demand as shoppers remain price sensitive, and could cause the failure of key suppliers, or otherwise disrupt our supply chains, impacting the cost and availability of goods. Inflationary forces impacting cost of goods sold might be difficult to pass on to consumers.

A collapse of the European banking system as a result of a euro break-up could disrupt our ability to channel liquidity to our employees and suppliers. We established a project group that has analyzed the potential effects of the euro crisis for Ahold and defined mitigating actions to manage the risks associated.

As a result of the current economic climate, our competitors continue to take aggressive actions. The competitive landscape is changing as a result of the entry of new competitors into our markets; consolidation, as weaker competitors are acquired by stronger players; and the emergence of new business models. These factors or other unforeseen effects of the current economic climate could impair the effectiveness of Ahold's strategy and reduce the anticipated benefits of its price repositioning and cost savings programs or other strategic initiatives, and may have a material adverse effect on the Company's financial position, results of operations and liquidity.

Risk related to large strategic projects

In order to achieve Ahold's strategic agenda and as a result of the way the Company is currently organized, activities are increasingly undertaken in the form of projects. The progress of the projects is monitored closely. If Ahold is not able to deliver on the objectives of its underlying strategic projects, the realization of key elements of its strategy may be at risk. This could have a material adverse effect on Ahold's financial position, results of operations and liquidity.

Operational risks

Risk related to collective bargaining

A significant portion of the employees of Ahold's businesses are represented by unions under collective bargaining agreements. As these collective bargaining agreements expire, Ahold's businesses might not be able to negotiate extensions or replacements on acceptable terms. Although we consider the relations between Ahold's businesses and the relevant trade unions to be stable and our businesses have human resource functions to support such union relations and collective bargaining negotiations, any failure to effectively renegotiate these agreements could result in work stoppages or other organized labor actions. Ahold's businesses may not be able to resolve any issues in a timely manner and contingency plans may not be sufficient to avoid an impact on the business. A work stoppage due to the failure of one or more of Ahold's businesses to renegotiate a collective bargaining agreement, or otherwise, could have a material adverse effect on the Company's results of operations and financial position.

Risks related to information security

Ahold's business operations generate and maintain confidential commercial and personal information concerning customers, employees, suppliers and the Company. Our information security policy mandates that we implement and maintain controls, processes and tools that ensure confidentiality, privacy and integrity of confidential and sensitive information. We also manage and monitor compliance with our policy and with the various legal and regulatory requirements. In 2012, we updated both our strategic guidelines for global information security and our global information security policy. However, disclosure of confidential information to unintended third parties may negatively impact Ahold's corporate reputation and competitive position or result in litigation or regulatory action. This could have a material adverse effect on Ahold's financial position.

Risks related to business and IT continuity

A number of Ahold's critical business processes and functions are concentrated in a limited number of centralized facilities and / or are dependent on IT systems and infrastructure, key personnel, outsourcing providers and other key suppliers for which limited or no comparable back-up is available. If any of these critical business processes or functions suffer a severe disruption that renders such facilities, critical IT systems or infrastructure, key suppliers or key personnel unavailable, Ahold could experience disruption to its supply chain, store and administrative operations. We continue to maintain and invest in business continuity management plans and security initiatives for those facilities and technology systems that support critical business processes and take steps to mitigate the dependency risks associated with our key strategic suppliers. However, these measures cannot fully prevent business interruptions that could have a material adverse effect on Ahold's revenues, customer perception and reputation.

How we manage risk (continued)

Risks related to food, non-food safety and social compliance

The growing internationalization of the supply chain; the increasing sale of own-brand products in Ahold's stores, which include vegetables and other non-branded products; along with increased regulation, continue to make food and non-food safety and social compliance important business risks. We have food and non-food product safety and social compliance policies and practices in place for our own-brand products, including regular reporting and auditing of continental performance and third-party certification. However, Ahold may face product safety or social compliance problems, including disruptions to the supply chain caused by food-borne illnesses and negative consumer reaction to incidents, which may have a material adverse effect on the Company's reputation, results of operations and financial position.

Risks related to responsible retailing

Increased regulatory demands, stakeholder awareness and the growing sentiment that large retailers must address sustainability issues across the entire supply chain mean that Ahold's brands and reputation may suffer if it does not adequately address relevant corporate responsibility issues affecting the food retail industry. Furthermore, if we fail to effectively increase the fuel and energy efficiency of our operations or fail to reduce waste, our operational and cost competitiveness may be adversely affected. We continue to develop a broad range of coordinated and focused programs, as an integrated part of our reshaping retail strategy, to address issues such as climate change, energy efficiency, waste reduction, social accountability, healthy living, community engagement and corporate responsibility reporting. If these programs are not successful or are otherwise inadequate, the reputation and competitive position of Ahold and the Ahold brands could suffer. See Ahold's Responsible Retailing Report 2012 for additional information about our policies and programs in this area.

Risk related to social media

Social media may be used by individuals or groups to recommend or to comment on our company or products. The use of social media amplifies and speeds up the dissemination of news and information. This can enable individuals and groups to generate public support for issues, campaigns or boycotts more quickly and on a much larger scale. At the same time, online communications are becoming more important for our business and social media is increasingly being used to support our customer loyalty initiatives. We have prepared social media guidelines and are monitoring social media activity relating to the Company's banners and products.

Financial risks

Risks associated with insurance programs

Ahold manages its insurable risks through a combination of self-insurance and commercial insurance coverage. Our U.S. operations are self-insured for workers' compensation, general liability, vehicle accident and certain health care-related claims. Self-insurance liabilities are estimated based on actuarial valuations. While we believe that the actuarial estimates are reasonable, they are subject to changes caused by claim reporting patterns, claim settlement patterns, regulatory economic conditions and adverse litigation results. It is possible that the final resolution of some claims may require us to make significant expenditures in excess of our existing reserves. In addition, third-party insurance companies that provide the fronting insurance that is part of our self-insurance programs require us to provide certain collateral. We take measures to assess and monitor the financial strength and credit-worthiness of the commercial insurers from which we purchase insurance. However, we remain exposed to a degree of counterparty credit risk with respect to such insurers. If conditions of economic distress were to cause the liquidity or solvency of our counterparties to deteriorate, we may not be able to recover collateral funds or be indemnified from the insurer in accordance with the terms and conditions of our policies.

Risks related to health care and pension funding requirements

Ahold has a number of defined benefit pension plans covering a large number of its employees in the Netherlands and in the United States. A decrease in equity returns or interest rates may negatively affect the funding ratios of Ahold's pension funds, which could lead to higher pension charges and contributions payable. In addition, a significant number of union employees in the United States are covered by multi-employer plans. The unfunded portion of the liabilities of these plans may result in increased future payments by Ahold and the other participating employers. Ahold's risk of such increased contributions may be greater if any of the participating employers in an underfunded multi-employer plan withdraws from the plan due to insolvency and is not able to contribute an amount sufficient to fund the unfunded liabilities associated with its participants of the plan. For additional information, see *Note 23* to the consolidated financial statements.
If Ahold is unable at any time to meet any required funding obligations for some of its U.S. pension plans, or if the Pension Benefit Guaranty Corporation (the PBGC), as the insurer of certain U.S. plan benefits, concludes that its risk may increase unreasonably if the plans continue, the PBGC could terminate the plans and place liens on material amounts of the Company's assets, under the U.S. Employee Retirement Income Security Act of 1974 (ERISA).

Ahold's pension plans covering its Dutch operations are regulated by Dutch pension law. The pension fund is under the supervision of the Dutch Central Bank (De Nederlandsche Bank or DNB) and the Dutch Authority for the Financial Markets (Autoriteit Financiële Markten or AFM). According to the law and / or contractually agreed funding arrangements, Ahold may be required to make additional contributions to its pension plans in case minimum funding requirements are not met.

How we manage risk (continued)

In addition, U.S. healthcare costs have risen significantly in recent years and this trend may continue. Ahold may be required to pay significantly higher amounts to fund U.S. employee healthcare plans in the future. Significant increases in healthcare and pension funding requirements could have a material adverse effect on the Company's financial position, results of operations and liquidity.

Other financial risks include:

- Foreign currency translation risk arising from various currency exposures, primarily with respect to the U.S. dollar, relating to cash flows, including loan and interest payments, lease payments, dividends and firm purchase commitments, and the value of assets and liabilities denominated in foreign currency
- Credit risk related to cash and cash equivalents, short-term deposits and derivative financial instruments
- Interest rate risk, arising primarily from debt
- Contingent liabilities to third parties relating to lease guarantees

For further information relating to these financial risks, see *Note 30* and *Note 34* to the consolidated financial statements, which are incorporated and repeated here by reference.

Compliance and regulatory

Risks related to unforeseen tax liabilities

Because Ahold operates in a number of countries, its income is subject to taxation in differing jurisdictions and at differing tax rates. Significant judgment is required in determining the consolidated income tax position. We seek to organize our affairs in a tax-efficient and balanced manner, taking into account the applicable regulations of the jurisdictions in which we operate. As a result of Ahold's multi-jurisdictional operations, it is exposed to a number of different tax risks including, but not limited to, changes in tax laws or interpretations of such tax laws. The tax authorities in the jurisdictions where Ahold operates may audit the Company's tax returns and may disagree with the positions taken in those returns. An adverse outcome resulting from any settlement or future examination of the Company's tax returns may result in additional tax liabilities and may adversely affect its effective tax rate, which could have a material adverse effect on Ahold's financial position, results of operations and liquidity. In addition, any examination by the tax authorities could cause Ahold to incur significant legal expenses and divert management's attention from the operation of its business.

Risks related to the legislative and regulatory environment and litigation

Ahold and its businesses are subject to various federal, regional, state and local laws and regulations in each country in which they operate, relating to, among other areas: zoning; land use; antitrust restrictions; work place safety; public health including food and non-food safety; environmental protection; alcoholic beverage, tobacco and pharmaceutical sales; and information security. Ahold and its businesses are also subject to a variety of laws governing the relationship with employees, including but not limited to minimum wage, overtime, working conditions, health care, disabled access and work permit requirements. The cost of compliance with, or changes in, any of these laws could impact the operations and reduce the profitability of Ahold or its businesses and thus could affect Ahold's financial condition or results of operations. Ahold and its businesses are also subject to a variety of antitrust and similar laws and regulations in the jurisdictions in which they operate, which may impact or limit Ahold's ability to realize certain acquisitions, divestments, partnerships or mergers.

From time to time, Ahold and its businesses are parties to legal and regulatory proceedings in a number of countries, including the United States. Based on the prevailing regulatory environment or economic conditions in the markets in which Ahold businesses operate, litigation may increase in frequency and materiality. These legal and regulatory proceedings may include matters involving personnel and employment issues, personal injury, antitrust claims, contract claims and other matters. We estimate our exposure to these legal proceedings and establish accruals for the estimated liabilities where it is reasonably possible to estimate and where the potential realization of a loss contingency is more likely than not. The assessment of exposures and ultimate outcomes of legal and regulatory proceedings involves uncertainties. Adverse outcomes of these legal proceedings, or changes in our assessments of proceedings, could potentially result in material adverse effects on our financial results. For further information, see *Note 34* to the consolidated financial statements.

Our leadership – Corporate Executive Board

Dick Boer
President and Chief Executive Officer

Dick Boer (August 31, 1957) is a Dutch national. On September 29, 2010, the Supervisory Board appointed him Chief Executive Officer of Ahold, effective March 1, 2011. Prior to that date, Dick served as Chief Operating Officer Ahold Europe, to which he was appointed on November 6, 2006.

Dick joined Ahold in 1998 as CEO of Ahold Czech Republic and was appointed President and CEO of Albert Heijn in 2000. In 2003, he became President and CEO of Ahold's Dutch operating companies. Ahold's shareholders appointed him to the Corporate Executive Board on May 3, 2007.

Prior to joining Ahold, Dick spent more than 17 years in various retail positions for SHV Holdings in the Netherlands and abroad and for Unigro N.V.

Dick is vice co-chair of The Consumer Goods Forum and a member of the executive board of The Confederation of Netherlands Industry and Employers (VNO-NCW). He is also a member of the advisory board of G-star.

Jeff Carr
Executive Vice President and Chief Financial Officer

Jeff Carr (September 17, 1961) is a British national. Ahold's shareholders appointed him to the Corporate Executive Board on April 17, 2012. Jeff joined Ahold in November 2011, when he assumed his responsibilities as acting member of the Corporate Executive Board and Chief Financial Officer (CFO).

Before joining Ahold, Jeff was group finance director and a member of the board at UK-based FirstGroup, the leading transport operator in the United Kingdom and North America. He began his career at Unilever, and held senior roles in finance at easyJet, Associated British Foods, Reckitt Benckiser and Grand Metropolitan. Jeff has served as CFO of listed companies since 2005, and has worked and lived in Europe and the United States.

Lodewijk Hijmans van den Bergh
Executive Vice President and Chief Corporate Governance Counsel

Lodewijk Hijmans van den Bergh (September 16, 1963) is a Dutch national. Ahold's shareholders appointed him to the Corporate Executive Board on April 13, 2010. Lodewijk joined the Company on December 1, 2009, when he assumed his responsibilities as acting member of the Corporate Executive Board and Chief Corporate Governance Counsel.

Prior to joining Ahold, Lodewijk was a partner of Amsterdam-based law firm De Brauw Blackstone Westbroek.

Lodewijk is the deputy chairman of the board of the Royal Concertgebouw Orchestra and a member of the Supervisory Board of the Air Traffic Control the Netherlands. He is also a member of the advisory boards of the Rotterdam School of Management, Erasmus University and Champs on Stage.

James McCann
Executive Vice President and Chief Operating Officer Ahold USA

James McCann (October 4, 1969) is a British national. Ahold's shareholders appointed him to the Corporate Executive Board on April 17, 2012. James joined Ahold on September 1, 2011, when he assumed his responsibilities as acting member of the Corporate Executive Board and Chief Commercial & Development Officer. On February 1, 2013, he became Chief Operating Officer Ahold USA.

Before joining Ahold, James was Executive Director for Carrefour France and a member of Carrefour's Group Executive Board. During the previous seven years, he held leading roles in various countries for Tesco plc. Prior to that, he worked for Sainsbury's, Mars and Shell.

Our leadership – Supervisory Board

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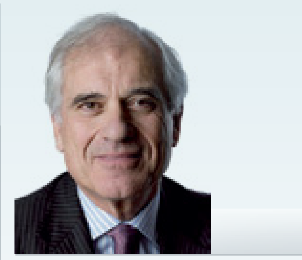
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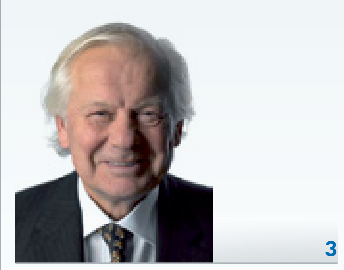
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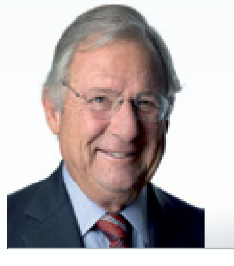
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1 René Dahan

Chairman

Chairman of the Selection and Appointment Committee

René Dahan (August 26, 1941) is a Dutch national. He was first appointed to the Supervisory Board on June 2, 2004, and his term runs until 2016. René is former Executive Vice President and Director of Exxon Mobil Corporation. He is a member of the international advisory board of the Instituto de Empresa, Madrid, Spain.

2 Tom de Swaan

Vice Chairman

Chairman of the Audit Committee

Tom de Swaan (March 4, 1946) is a Dutch national. He was first appointed to the Supervisory Board on May 3, 2007, and his term runs until 2015. Tom is former CFO of ABN AMRO Bank N.V. He also held various executive positions at the Dutch Central Bank and was a non-executive director of the Financial Services Authority in London. Tom is a member of the board of GlaxoSmithKline Plc and vice-chairman of the board of directors of Zurich Insurance Group. He is chairman of the supervisory board of Van Lanschot Bankiers N.V., a member of the supervisory board of Royal DSM and chairman of its audit committee and a member of the Public Interest Committee of KPMG ELLP. In addition, Tom is chairman of the advisory board of the Rotterdam School of Management, Erasmus University and chairman of the Board of Trustees of The Netherlands Cancer Institute-Antoni van Leeuwenhoek Hospital.

3 Derk C. Doijer

Chairman of the Remuneration Committee

Derk Doijer (October 9, 1949) is a Dutch national. He was first appointed to the Supervisory Board on May 18, 2005, and his term runs until 2013. Derk is a former member of the executive board of directors of SHV Holdings N.V. and, prior to that, held several executive positions in the Netherlands and South America. He is chairman of the supervisory boards of Corio N.V. and Lucas Bols Holdings B.V. Derk is a member of the supervisory board of ZBG Group.

4 Stephanie M. Shern

Stephanie Shern (January 7, 1948) is a U.S. national. She was first appointed to the Supervisory Board on May 18, 2005, and her term runs until 2013. Stephanie was with Ernst & Young for over 30 years, most recently as vice chairman and global director of retail and consumer products and a member of Ernst & Young's U.S. Management Committee. She is a member of the boards and chair of the audit committees of GameStop and Scotts MiracleGro. Stephanie is also a member of the advisory board of Pennsylvania State University's accounting major program and a founding member of the Lead Director Network and of the Southwest Region of the United States Audit Committee Network, both organized by Tapestry Networks in the United States.

5 Judith Sprieser

Judith Sprieser (August 3, 1953) is a U.S. national. She was first appointed to the Supervisory Board on May 18, 2006, and her term runs until 2014. Judith is former CEO of Transora, Inc, which she founded in 2000. Prior to this, she was executive vice president and CFO of Sara Lee Corporation. She is a director of Allstate Corporation, Reckitt Benckiser plc, Intercontinental Exchange, Inc. and Experian Plc.

6 Mark McGrath

Mark McGrath (August 10, 1946) is a U.S. national. He was appointed to the Supervisory Board on April 23, 2008, and his term runs until 2016. Mark is a director emeritus of McKinsey & Company. He led the firm's Americas' Consumer Goods Practice from 1998 until 2004 when he retired from the company. Mark is a director of GATX. He is chairman of the advisory board of the University of Notre Dame's Kellogg Institute of International Studies, a member of the advisory councils of the University of Chicago Booth Graduate School of Business and Notre Dame's Kroc International Peace Studies Institute and a member of the Executive Committee of the Chicago Symphony Orchestra Association. Mark is a senior advisor with Gleacher & Company.

7 Ben Noteboom

Ben Noteboom (July 4, 1958) is a Dutch national. He was appointed to the Supervisory Board on April 28, 2009, and his term runs until 2013. Ben currently holds the position of CEO and chairman of the executive board of Randstad Holding N.V., to which he was appointed in March 2003. He joined Randstad in 1993 and since then has held various senior management positions within the company. Ben joined the executive board of Randstad in 2001. Ben is a member of the boards of the Holland Festival Foundation and the Cancer Center Amsterdam.

8 Rob van den Bergh

Rob van den Bergh (April 10, 1950) is a Dutch national. He was appointed to the Supervisory Board on April 20, 2011, and his term runs until 2015. Rob is former CEO of VNU N.V. Prior to that, he held various other executive positions within VNU and was a member of the executive board from 1992 until his appointment as CEO in 2000. Rob is currently chairman of the supervisory board of N.V. Deli Maatschappij and a member of the supervisory boards of TomTom N.V., Royal Wagenborg B.V., Holding Nationale Goede Doelen Loterijen N.V. and Pon Holdings B.V. He is also chairman of the supervisory board of Isala Klinieken Foundation, a member of the investment committee of NPM Capital N.V. and a member of the advisory board of CVC Capital Partners.

Corporate governance

Ahold is committed to a corporate governance structure that best supports its business and meets the needs of its stakeholders and that complies with relevant rules and regulations.

This section contains an overview of Ahold's corporate governance structure and includes information required under the Dutch Corporate Governance Code.

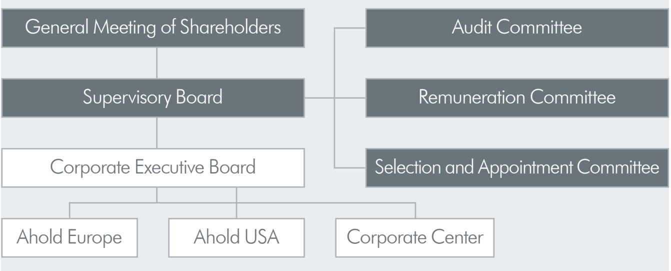
Governance structure

Koninklijke Ahold N.V. (the Company) is a public company under Dutch law with a two-tier board structure. Ahold is managed by a Corporate Executive Board, which is supervised and advised by a Supervisory Board. The two boards are accountable to the General Meeting of Shareholders.

The Company is structured to effectively execute its strategy and to balance local, continental and global decision-making. It is comprised of a Corporate Center and two continental platforms, Ahold Europe and Ahold USA, each of which contains a number of companies.

The following diagram shows the governance structure of Ahold and its companies. A list of subsidiaries, joint ventures and associates is included in *Note 36* to the consolidated financial statements.

Governance structure



Corporate Executive Board

The Corporate Executive Board is responsible for the management and the general affairs of Ahold. For a more detailed description of the responsibilities of the Corporate Executive Board, please refer to its charter in the corporate governance section of Ahold's public website at www.ahold.com.

Composition

According to Ahold's Articles of Association, the Corporate Executive Board must consist of at least three members. The current members of the Corporate Executive Board are: Dick Boer, President and Chief Executive Officer; Jeff Carr, Executive Vice President and Chief Financial Officer; Lodewijk Hijmans van den Bergh, Executive Vice President and Chief Corporate Governance Counsel; and James McCann, Executive Vice President and Chief Operating Officer Ahold USA. The size and composition of the Corporate Executive Board and the combined experience and expertise of its members should reflect the best fit for the profile and strategy of the Company. This aim for the best fit, in combination with the availability of qualifying candidates, has resulted in Ahold currently having a Corporate Executive Board in which all four members are male. In order to increase gender diversity on the Corporate Executive Board, in accordance with article 2:276 section 2 of the Dutch Civil Code, the Company pays close attention to gender diversity in the process of recruiting and appointing new Corporate Executive Board members. In addition, the Company continues to encourage the professional development of female employees, which has already led to the appointment of several women to key leadership positions.

Appointment, suspension and dismissal

The General Meeting of Shareholders can appoint, suspend, or dismiss a Corporate Executive Board member by an absolute majority of votes cast, upon a proposal made by the Supervisory Board. If another party makes the proposal, an absolute majority of votes cast, representing at least one-third of the issued share capital, is required. If this qualified majority is not achieved, but a majority of the votes exercised was in favor of the proposal, then a second meeting may be held. In the second meeting, only a majority of votes exercised, regardless of the number of shares represented at the meeting, is required to adopt the proposal.

Corporate Executive Board members are appointed for four-year terms and may be reappointed for additional terms not exceeding four years. The Supervisory Board may at any time suspend a Corporate Executive Board member.

Remuneration

On May 18, 2006, Ahold's General Meeting of Shareholders adopted its current remuneration policy for Corporate Executive Board members. You can find details of this policy in Remuneration. For detailed information on the individual remuneration of Corporate Executive Board members, see *Notes 31* and *32* to the consolidated financial statements.

Possible reappointment schedule

Name	Date of birth	Date of first appointment	Date of possible reappointment
Dick Boer	August 31, 1957	May 3, 2007	2015
Jeff Carr	September 17, 1961	April 17, 2012	2016
Lodewijk Hijmans van den Bergh	September 16, 1963	April 13, 2010	2014
James McCann	October 4, 1969	April 17, 2012	2016

Corporate governance (continued)

Supervisory Board

The Supervisory Board is responsible for supervising and advising Ahold's Corporate Executive Board and for overseeing the general course of affairs of the Company. The Supervisory Board is guided in its duties by Ahold's interests, taking into consideration the overall good of the enterprise and the relevant interests of all its stakeholders.

The Supervisory Board is responsible for monitoring and assessing its own performance.

Ahold's Articles of Association require the approval of the Supervisory Board for certain major resolutions proposed to be taken by the Corporate Executive Board, including:

- Issuance of shares
- Acquisitions, redemptions, repurchases of shares, and any reduction in issued and outstanding capital
- Allocation of duties within the Corporate Executive Board and the adoption or amendment of the Corporate Executive Board Charter
- Significant changes in the identity or the nature of the Company or its enterprise

Appointment

The General Meeting of Shareholders can appoint, suspend or dismiss a Supervisory Board member by an absolute majority of votes cast, upon a proposal made by the Supervisory Board. If another party makes the proposal, an absolute majority of votes cast, representing at least one-third of the issued share capital, is required. If this qualified majority is not achieved but a majority of the votes exercised was in favor of the proposal, then a second meeting may be held. In the second meeting, only a majority of votes exercised, regardless of the number of shares represented at the meeting, is required. A Supervisory Board member is appointed for a four-year term and is eligible for reappointment. However, a Supervisory Board member may not serve for more than 12 years.

You can find more detailed information on the Supervisory Board in the Supervisory Board report. The following charters can be found in the corporate governance section of Ahold's website at www.ahold.com: the Supervisory Board Charter, the Audit Committee Charter, the Remuneration Committee Charter and the Selection and Appointment Committee Charter. The composition of the Supervisory Board, including its members' combined experience and expertise, independence, and diversity of age and gender, should reflect the best fit for the profile and strategy of the Company. This aim for the best fit, in combination with the availability of qualifying candidates, has resulted in Ahold currently having a Supervisory Board in which two members are female and six members are male. In order to increase gender diversity in the Supervisory Board in accordance with article 2:276 section 2 of the Dutch Civil Code, the Company pays close attention to gender diversity in the process of recruiting and appointing new Supervisory Board candidates.

Conflict of interest

Each member of the Corporate Executive Board is required to immediately report any potential conflict of interest to the Chairman of the Supervisory Board and to the other members of the Corporate Executive Board and provide them with all relevant information. Each Supervisory Board member is required to immediately report any potential conflict of interest to the Chairman of the Supervisory Board and provide him or her with all relevant information. The Chairman determines whether there is a conflict of interest. If a member of the Supervisory Board or a member of the Corporate Executive Board has a conflict of interest with the Company, the member may not participate in the discussions and / or decision-making process on subjects or transactions relating to the conflict of interest. The Chairman of the Supervisory Board will arrange for such transactions to be disclosed in the Annual Report. During 2012, Rob van den Bergh did not participate in the discussions and / or decision-making process on the acquisition of Bol.com B.V. in view of the potential conflict of interest related to the transaction. No other such transaction occurred in 2012. In accordance with best practice provision III.6.4 of the Dutch Corporate Governance Code, Ahold reports that no transactions between the Company and legal or natural persons who hold at least 10% of the shares in the Company occurred in 2012.

Shares and shareholders' rights

General Meeting of Shareholders

Ahold shareholders exercise their rights through annual and extraordinary General Meetings of Shareholders. Ahold is required to convene an annual General Meeting of Shareholders in the Netherlands each year, no later than six months after the end of the Company's financial year. Additional extraordinary General Meetings of Shareholders may be convened at any time by the Supervisory Board, the Corporate Executive Board, or by one or more shareholders representing at least 10% of the issued share capital. The agenda for the annual General Meeting of Shareholders must contain certain matters as specified in Ahold's Articles of Association and under Dutch law, including the adoption of Ahold's annual financial statements. Shareholders are entitled to propose items for the agenda of the General Meeting of Shareholders provided that they hold at least 1% of the issued share capital or the shares that they hold represent a market value of at least €50 million. The adoption of such a proposal requires a majority of votes cast at the General Meeting of Shareholders representing at least one-third of the issued shares. If this qualified majority is not achieved but a majority of the votes exercised was in favor of the proposal, then a second meeting may be held. In the second meeting, only a majority of votes exercised is required to adopt the proposal, regardless of the number of shares represented at the meeting (unless the law or Articles of Association provide otherwise). Proposals for agenda items for the General Meeting of Shareholders must be submitted at least 60 days prior to the date of the meeting. The General Meeting of Shareholders is also entitled to vote on important decisions regarding the identity or the character of Ahold, including major acquisitions and divestments.

Corporate governance (continued)

Dutch law prescribes a record date to be set 28 days prior to the date of the General Meeting of Shareholders to determine whether a person may attend and exercise the rights relating to the General Meeting of Shareholders. Shareholders registered at that date are entitled to attend and to exercise their rights as shareholders in relation to the General Meeting of Shareholders, regardless of a sale of shares after the record date. Shareholders may be represented by written proxy.

Ahold encourages participation in General Meetings of Shareholders. Ahold uses Citibank, the Depositary for the Company's ADR facility, to enable ADR holders to exercise their voting rights, which are represented by the common shares underlying the ADRs.

Voting rights

Each common share entitles its holder to cast one vote. Subject to certain exceptions provided by Dutch law or Ahold's Articles of Association, resolutions are passed by a majority of votes cast. A resolution to amend the Articles of Association that would change the rights vested in the holders of a particular class of shares requires the prior approval of a meeting of that particular class. A resolution to dissolve the Company may be adopted by the General Meeting of Shareholders following a proposal of the Corporate Executive Board made with the approval of the Supervisory Board. Any proposed resolution to wind up the Company must be disclosed in the notice calling the General Meeting of Shareholders at which that proposal is to be considered.

Neither Ahold nor any of its subsidiaries may cast a vote on any share they hold in the Company. These shares are not taken into account for the purpose of determining how many shareholders are represented or how much of the share capital is represented at the General Meeting of Shareholders.

Holders of depositary receipts of cumulative preferred financing shares may attend the General Meeting of Shareholders. The voting rights on the underlying shares may be exercised by the Stichting Administratiekantoor Preferente Financierings Aandelen Ahold (SAPFAA), a foundation organized under the laws of the Netherlands.

Cumulative preferred financing shares

All outstanding cumulative preferred financing shares have been issued to SAPFAA. Holders of depositary receipts can obtain proxies from SAPFAA. In accordance with its articles, the board of SAPFAA consists of three members: one A member, one B member and one C member. The A member is appointed by the general meeting of depositary receipt holders, the B member is appointed by the Company and the C member is appointed by a joint resolution of the A member and the B member. As of February 27, 2013, the members of the board of SAPFAA are:

Member A:	J.L. van der Giessen
Member B:	C.W. de Monchy
Member C:	H.J. Baeten, Chairman

Ahold pays a mandatory annual dividend on cumulative preferred financing shares, which is calculated in accordance with the provisions of article 39.4 of the Company's Articles of Association. For further details on cumulative preferred financing shares and the related voting rights, see *Note 22* to the consolidated financial statements.

Cumulative preferred shares

No cumulative preferred shares are currently outstanding. Ahold entered into an option agreement with the Dutch foundation Stichting Ahold Continuïteit (SAC) designed to exercise influence in the event of a potential change of control over the Company, to safeguard the interests of the Company and all stakeholders in the Company and to resist, to the best of its ability, influences that might conflict with those interests by affecting the Company's continuity, independence or identity. The purpose of SAC, according to its articles of association, is to safeguard the interests of the Company and all stakeholders in the Company and to resist, to the best of its ability, influences that might conflict with those interests by affecting the Company's continuity, independence or identity.

As of February 27, 2013, the members of the board of SAC are:

Name	Principal or former occupation
N.J. Westdijk, Chairman	Former CEO of Royal Pakhoed N.V.
G.H.N.L. van Woerkom	President & CEO of ANWB
W.G. van Hassel	Former lawyer and former chairman Dutch Bar Association
J. van den Belt	Former CEO Océ

SAC is independent from the Company. For details on Ahold's cumulative preferred shares, see *Note 20* to the consolidated financial statements.

Issue of additional shares and pre-emptive rights

Shares may be issued following a resolution by the General Meeting of Shareholders on a proposal of the Corporate Executive Board made with the approval of the Supervisory Board. The General Meeting of Shareholders may resolve to delegate this authority to the Corporate Executive Board for a period of time not exceeding five years. A resolution of the General Meeting of Shareholders to issue shares, or to authorize the Corporate Executive Board to do so, is also subject to the approval of each class of shares whose rights would be adversely affected by the proposed issuance or delegation. The General Meeting of Shareholders approved a delegation of this authority to the Corporate Executive Board, relating to the issuance and / or granting of rights to acquire common shares up to a maximum of 10% of the issued common shares through October 17, 2013, and subject to the approval of the Supervisory Board.

Upon the issuance of new common shares, holders of Ahold's common shares have a pre-emptive right to subscribe to common shares in proportion to the total amount of their existing holdings of Ahold's common shares. According to the Company's Articles of Association, this pre-emptive right does not apply to any issuance of shares to employees of Ahold. The General Meeting of Shareholders may decide to restrict or exclude pre-emptive rights. The General Meeting of Shareholders may also resolve to designate the Corporate Executive Board as the corporate body authorized to restrict or exclude pre-emptive rights for a period not exceeding five years. The General Meeting of Shareholders has delegated to the Corporate Executive Board, subject to approval of the Supervisory Board, the authority to restrict or exclude the pre-emptive rights of holders of common shares upon the issuance of common shares and / or upon the granting of rights to subscribe for common shares through October 17, 2013.

Corporate governance (continued)

Repurchase by Ahold of its own shares

Ahold may only acquire fully paid shares of any class in its capital for a consideration following authorization by the General Meeting of Shareholders and subject to certain provisions of Dutch law and the Company's Articles of Association, if:

1. Shareholders' equity minus the payment required to make the acquisition is not less than the sum of paid-in and called-up capital and any reserves required by Dutch law or Ahold's Articles of Association; and
2. Ahold and its subsidiaries would not, as a result, hold a number of shares exceeding a total nominal value of 10% of the issued share capital.

The Corporate Executive Board has been authorized to acquire a number of common shares in the Company or depository receipts for shares, as permitted within the limits of the law and the Articles of Association and subject to the approval of the Supervisory Board. Such acquisition of shares, at the stock exchange or otherwise, will take place at a price between par value and 110% of the opening price of the shares at Euronext Amsterdam by NYSE Euronext on the date of their acquisition. The authorization takes into account the possibility to cancel the repurchased shares. This authorization is valid through October 17, 2013. Ahold may acquire shares in its capital for no consideration or for the purpose of transferring these shares to employees through share plans or option plans, without such authorization.

Major shareholders

Ahold is not directly or indirectly owned or controlled by another corporation or by any government. The Company does not know of any arrangements that may, at a subsequent date, result in a change of control, except as described under "Cumulative preferred shares" above.

Significant ownership of voting shares

According to the Dutch Financial Markets Supervision Act, any person or legal entity who, directly or indirectly, acquires or disposes of an interest in Ahold's capital or voting rights must immediately give written notice to the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten or AFM) if the acquisition or disposal causes the percentage of outstanding capital interest or voting rights held by that person or legal entity to reach, exceed or fall below any of the following thresholds:

5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%.

The obligation to notify the AFM also applies when the percentage of capital interest or voting rights referred to above changes as a result of a change in the total outstanding capital or voting rights of Ahold. In addition, local rules may apply to investors.

The following table lists the shareholders on record in the AFM register on February 27, 2013, that hold an interest of 5% or more in the share capital of the Company.

Shareholder	Date of disclosure	Capital interest[2]	Voting rights[2]
Stichting Administratiekantoor Preferente Financieringsaandelen Ahold[1]	July 13, 2012	20.19%	6.55%
ING Groep N.V.	April 8, 2008	9.26%	4.92%
DeltaFort Beleggingen B.V.	August 23, 2007	11.23%	3.82%

1 All of the outstanding cumulative preferred financing shares are held by SAPFAA, for which SAPFAA issued corresponding depositary receipts to investors that were filed under ING Groep N.V. and DeltaFort Beleggingen B.V.

2 In accordance with the filing requirements the percentages shown include both direct and indirect capital interests and voting rights and both real and potential capital interests and voting rights. Further details can be found at www.afm.nl.

For details on the number of outstanding shares, see *Note 20* to the consolidated financial statements. For details on capital structure, listings, share performance and dividend policy in relation to Ahold's common shares, see *Investors*.

Articles of Association

Ahold's Articles of Association outline certain of the Company's basic principles relating to corporate governance and organization. The current text of the Articles of Association is available at the Trade Register of the Chamber of Commerce and Industry for Amsterdam and on Ahold's public website at www.ahold.com.

The Articles of Association may be amended by the General Meeting of Shareholders. A resolution to amend the Articles of Association may be adopted by an absolute majority of the votes cast upon a proposal of the Corporate Executive Board. If another party makes the proposal, an absolute majority of votes cast representing at least one-third of the issued share capital, is required. If this qualified majority is not achieved but a majority of the votes is in favor of the proposal, then a second meeting may be held. In the second meeting, only a majority of votes, regardless of the number of shares represented at the meeting, is required. The prior approval of a meeting of holders of a particular class of shares is required for a proposal to amend the Articles of Association that makes any change in the rights that vest in the holders of shares of that particular class.

Auditor

The General Meeting of Shareholders appoints the external auditor. The Audit Committee recommends to the Supervisory Board the external auditor to be proposed for (re)appointment by the General Meeting of Shareholders. In addition, the Audit Committee evaluates and, where appropriate, recommends the replacement of the external auditors. On April 17, 2012, the General Meeting of Shareholders appointed Deloitte Accountants B.V. as external auditor for the Company for the financial year 2012. On April 17, 2013, the Supervisory Board will recommend to the General Meeting of Shareholders to appoint PricewaterhouseCoopers Accountants N.V. as external auditor for the Company for the financial year 2013.

Corporate governance (continued)

Decree Article 10 EU Takeover Directive

According to the Decree Article 10 EU Takeover Directive, Ahold has to report on, among other things, its capital structure, restrictions on voting rights and the transfer of securities, significant shareholdings in Ahold, the rules governing the appointment and dismissal of members of the Corporate Executive Board and the Supervisory Board and the amendment of the Articles of Association, the powers of the Corporate Executive Board (in particular the power to issue shares or to repurchase shares), significant agreements to which Ahold is a party and which are put into effect, changed or dissolved upon a change of control of Ahold following a takeover bid, and any agreements between Ahold and the members of the Corporate Executive Board or employees providing for compensation if their employment ceases because of a takeover bid.

The information required by the Decree Article 10 EU Takeover Directive is included in this Corporate governance section and under Investors, and the notes referred to in these sections or included in the description of any relevant contract.

Compliance with Dutch Corporate Governance Code

Ahold applies the relevant principles and best practices of the Dutch Corporate Governance Code applicable to the Company, to the Corporate Executive Board and to the Supervisory Board, in the manner set out in the Governance section, as long as it does not entail disclosure of commercially sensitive information, as accepted under the code. The Dutch Corporate Governance Code was last amended on December 10, 2008, and can be found at www.commissiecorporategovernance.nl.

Ahold's shareholders consented to apply the Dutch Corporate Governance Code during the Extraordinary General Meeting of Shareholders on March 3, 2004. Ahold continues to seek ways to improve its corporate governance by measuring itself against international best practice.

Corporate Governance statement

This is a statement concerning corporate governance as referred to in article 2a of the decree on additional requirements for annual reports "Vaststellingsbesluit nadere voorschriften inhoud jaarverslag" last amended on January 1, 2010 (the Decree). The information required to be included in this corporate governance statement as described in articles 3, 3a and 3b of the Decree, which are incorporated and repeated here by reference, can be found in the following sections of this Annual Report:

- The information concerning compliance with the Dutch Corporate Governance Code (published at www.commissiecorporategovernance.nl), as required by article 3 of the Decree, can be found in the section *Compliance with the Dutch Corporate Governance Code*
- The information concerning Ahold's risk management and control frameworks relating to the financial reporting process, as required by article 3a sub a of the Decree, can be found in the relevant sections under *How we manage risk*
- The information regarding the functioning of Ahold's General Meeting of Shareholders and the authority and rights of Ahold's shareholders, as required by article 3a sub b of the Decree, can be found in the relevant sections under *Shares and shareholders' rights*
- The information regarding the composition and functioning of Ahold's Corporate Executive Board and the Company's Supervisory Board and its committees, as required by article 3a sub c of the Decree, can be found in the relevant sections under *Corporate governance*
- The information concerning the inclusion of the information required by the Decree Article 10 EU Takeover Directive, as required by article 3b of the Decree, can be found in the section *Decree Article 10 EU Takeover Directive*

Supervisory Board report

The Supervisory Board is an independent corporate body responsible for supervising and advising Ahold's Corporate Executive Board and overseeing the general course of affairs and strategy of the Company.

The Supervisory Board is guided in its duties by Ahold's interests, taking into consideration the overall good of the enterprise and the relevant interests of all its stakeholders.

Composition of the Supervisory Board

Ahold's Supervisory Board determines the number of its members. The Supervisory Board profile is published on Ahold's public website at www.ahold.com. The composition of the Supervisory Board should match this profile in terms of combined experience and expertise, independence, and variety of ages and genders. The Supervisory Board is of the opinion that its composition is currently in accordance with the profile.

The Supervisory Board Charter states that if a member is concurrently a member of another company's Supervisory Board, the main duties arising from and / or the number and nature of any other supervisory board memberships must not conflict or interfere with that person's duties as a member of Ahold's Supervisory Board. On April 17, 2012, the General Meeting of Shareholders reappointed René Dahan for a third term and Mark McGrath for a second term. On April 17, 2013, Derk Doijer, Stephanie Shern and Ben Noteboom will be nominated for reappointment.

Induction

Ongoing education is an important part of good governance. New members of the Supervisory Board attend a full-day induction program at Ahold's Corporate Center in Amsterdam at which they are briefed on their responsibilities as members of the Supervisory Board and informed by senior management on the financial, social, corporate responsibility, human resources, legal and reporting affairs of the Company and its businesses. Throughout the year, all members of the Supervisory Board visit several operating companies and other parts of the business to gain greater familiarity with senior management and to develop deeper knowledge of local operations, opportunities and challenges.

Diversity profile Supervisory Board

Name	Date of birth	American	European	Retail	Food industry	Finance	Social / employment	CR	Disclosure / communication	Marketing	Management experience	Active management	Gender
René Dahan	August 26, 1941	•	•				•		•		•		m
Derk Doijer	October 9, 1949		•	•	•						•		m
Stephanie Shern	January 7, 1948	•		•		•				•	•		f
Judith Sprieser	August 3, 1953	•	•		•	•	•		•		•		f
Tom de Swaan	March 4, 1946		•			•	•		•		•		m
Mark McGrath	August 10, 1946	•		•	•					•	•		m
Ben Noteboom	July 4, 1958		•				•	•	•	•	•	•	m
Rob van den Bergh	April 10, 1950		•						•		•		m

Retirement and reappointment schedule

Name	Date of initial appointment	Date of reappointment	Date of possible reappointment
René Dahan	June 2, 2004	April 17, 2012	
Derk Doijer	May 18, 2005	April 28, 2009	2013
Stephanie Shern	May 18, 2005	April 28, 2009	2013
Judith Sprieser	May 18, 2006	April 13, 2010	2014
Tom de Swaan	May 3, 2007	April 20, 2011	2015
Mark McGrath	April 23, 2008	April 17, 2012	2016
Ben Noteboom	April 28, 2009		2013
Rob van den Bergh	April 20, 2011		2015

Supervisory Board report (continued)

Meetings and activities of the Supervisory Board

In 2012, the Supervisory Board held six meetings in person and two meetings by conference call. The members of the Corporate Executive Board attended the meetings and other members of senior corporate, continental and local management were regularly invited to present. The Supervisory Board held three private meetings without other attendees to independently review certain issues and to discuss matters related to the functioning of the Corporate Executive and Supervisory Boards. The external auditor attended the meeting on February 28 and 29, 2012, at which the 2011 Annual Report and financial statements were recommended for adoption by the annual General Meeting of Shareholders. In a separate private meeting attended by the CEO, the Supervisory Board assessed its own performance, that of its committees and its individual members, as well as the performance of the Corporate Executive Board and its individual members. The Supervisory Board was positive, overall, about its own performance as well as the performance of its committees and the Corporate Executive Board. Recommendations were made with regard to knowledge-sharing. The members of the Supervisory Board have regular contact with the members of the Corporate Executive Board and other Company management outside of the scheduled meetings of the Supervisory Board. These informal consultations ensure that the Supervisory Board remains well-informed about the running of the Company's operations.

During 2012, the Supervisory Board reviewed matters related to all aspects of Ahold's activities, results, strategies and management, including:

- Establishment of the annual compensation of the Corporate Executive Board members in accordance with the Company's remuneration policy and with the assistance of the Remuneration Committee
- The growth of the Ahold Europe business, including Ahold's agreement with Jumbo on the transfer of 82 Jumbo / C1000 stores, 15 of which were converted to the Albert Heijn banner by year end. Albert Heijn plans to convert the remaining stores in 2013-2014.
- The Company's long-term strategy with particular emphasis on strategic growth options

The Supervisory Board is confident that the strategic choices made in 2012 will contribute to the realization of the Company's strategy and has closely monitored the execution of this strategy. The Supervisory Board approved the acquisition of bol.com B.V. after determining that it fits within Ahold's strategy to broaden its offering by growing its online business.

With the assistance of the Audit Committee, the Supervisory Board:

- Reviewed the financial reporting process and, in particular, quarterly interim reports and the 2011 Annual Report
- Reviewed reports related to the enterprise risk management of the Group
- Reviewed updates on projects in the field of mergers and acquisitions
- Reviewed the reports by the internal and the external auditor
- Approved the proposal for the nomination of the external auditor
- Reviewed long-term business plan and finance plan
- Reviewed and approved the annual budget
- Reviewed updates on the functioning of IT systems and the implementation of improvements, where necessary
- Regularly reviewed the European and U.S. businesses
- Reviewed Company strategy as part of the annual strategic planning cycle, including specific reviews of several strategic growth options
- Regularly reviewed Ahold's corporate responsibility strategy and initiatives, including product integrity and responsible retailing and the 2011 Corporate Responsibility Report
- Reviewed regular updates on major legal proceedings with potential impact on Ahold
- Reviewed reports of the various committees of the Supervisory Board
- Regularly assessed the functioning of the Corporate Executive Board
- Regularly assessed organizational strategy, talent management and succession planning

Attendance, independence

No Supervisory Board member was frequently absent from the meetings held in 2012 and all Supervisory Board members made adequate time available to give sufficient attention to the concerns of Ahold. The overall attendance rate was 96%. The Supervisory Board confirms that as of February 27, 2013, all Supervisory Board members are independent within the meaning of provision III.2.2 of the Dutch Corporate Governance Code.

Remuneration

The annual remuneration of the members of the Supervisory Board was determined by the General Meeting of Shareholders on April 17, 2012. Remuneration is subject to a yearly review by the Supervisory Board.

Chairman Supervisory Board	€80,000
Vice Chairman Supervisory Board	€60,000
Member Supervisory Board	€50,000
Chairman Audit Committee	€17,500
Member Audit Committee	€12,000
Chairman Remuneration Committee	€12,000
Member Remuneration Committee	€9,000
Chairman Selection and Appointment Committee	€12,000
Member Selection and Appointment Committee	€9,000
Travel compensation[1] intercontinental	€5,000
Travel compensation[1] continental	€1,500

1 Travel compensation per round trip air travel.

Supervisory Board report (continued)

Committees of the Supervisory Board

The Supervisory Board has three permanent committees to which certain tasks are assigned. The committees provide the Supervisory Board with regular updates of their meetings. The composition of each committee is detailed in the following table.

	Audit Committee	Remuneration Committee	Selection and Appointment Committee
René Dahan, Chairman			Chairman
Tom de Swaan, Vice Chairman	Chairman		
Derk Doijer		Chairman	Member
Stephanie Shern	Member	Member	
Judith Sprieser	Member	Member	
Mark McGrath		Member	Member
Ben Noteboom		Member	Member
Rob van den Bergh	Member		Member

Audit Committee

The Audit Committee assists the Supervisory Board in its responsibility to oversee Ahold's financing, financial statements, financial reporting process and system of internal business controls and risk management. The Chief Executive Officer, Chief Financial Officer, Chief Corporate Governance Counsel, Senior Vice President Internal Audit and representatives of the external auditor are invited to the Audit Committee meetings. Other members of senior staff are invited when the Audit Committee deems it necessary or appropriate. The Audit Committee determines how the external auditor should be involved in the content and publication of financial reports other than the financial statements. The Corporate Executive Board and the Audit Committee report to the Supervisory Board annually on their dealings with the external auditor, including the auditor's independence. The Supervisory Board takes these reports into account when deciding on the nomination for the appointment of an external auditor that is submitted to the General Meeting of Shareholders.

In 2012, the Audit Committee held four meetings in person and two conference calls to review the publication of quarterly results.

Throughout the year, the Audit Committee closely monitored the financial closing process. Updates on internal controls were provided during all Audit Committee meetings. The Audit Committee was informed regularly on litigation and related exposure and reviewed and received regular updates on Ahold's whistleblower program. The Audit Committee was closely involved in the evaluation of Ahold's external auditor, in accordance with provision V.2.3 of the Dutch Corporate Governance Code, and in the competitive tender process for the selection of the Ahold's external auditor that the Company conducted in line with its views on good corporate governance.

The Audit Committee further discussed items including:

- Quarterly interim reports
- Annual trading statement
- 2011 Annual Report and financial statements
- Review and approval of the internal audit plan
- Review of and discussions on the findings in the internal audit letter and the management letter of the external auditor
- Ahold's finance structure
- Treasury
- Capital investment reappraisals
- Tax
- Pensions
- Guarantees
- Enterprise risk management
- Insurance
- Appointment of the external auditor
- Code of Conduct

The Audit Committee and the chairman of the Audit Committee also held private individual meetings with the Chief Executive Officer, Chief Financial Officer, Senior Vice President Internal Audit and external auditor.

In a separate private meeting, the Audit Committee carried out a self-evaluation on the basis of written questionnaires, which provided the framework for discussions on its own functioning as well as that of its individual members. This review concluded that the Audit Committee's composition, its work processes, the scope and depth of its activities, its interfaces with the Corporate Executive Board and the Supervisory Board, and the personal contribution of each individual committee member are satisfactory and adequately serve the Company's needs. Furthermore, the review concluded that the Audit Committee wanted to intensify its contact with second level financial management. Following this conclusion, the Audit Committee held meetings with financial management.

The Supervisory Board has determined that Tom de Swaan and Stephanie Shern are "Audit Committee Financial Experts" within the meaning of the Dutch Corporate Governance Code.

Selection and Appointment Committee

In 2012, the Selection and Appointment Committee held five meetings. The Chief Executive Officer was invited to most of these meetings. Its main areas of focus were long-term succession planning for the Supervisory Board and management development. It was also involved in organizational and management changes at Ahold Europe and Ahold USA and discussed overall succession and management development processes at Ahold.

Supervisory Board report (continued)

Remuneration Committee

In 2012, the Remuneration Committee held five meetings in person. The Chief Executive Officer was invited to most of these meetings. For a report on remuneration and the activities of the Remuneration Committee, see Remuneration.

Conclusion

The Supervisory Board is of the opinion that during the year 2012, its composition, mix and depth of available expertise; working processes; level and frequency of engagement in all critical Company activities; and access to all necessary and relevant information and the Company's management and staff were fully satisfactory and enabled it to adequately and completely carry out its duties towards all the Company's stakeholders.

The Supervisory Board would like to thank Ahold's shareholders for the trust they have put in the Company and its management. The Supervisory Board also wishes to express its appreciation for the continued dedication and efforts of the Corporate Executive Board and all Ahold's employees.

Supervisory Board
Amsterdam, the Netherlands
February 27, 2013

Remuneration

Ahold's remuneration policy is prepared in accordance with the Dutch Corporate Governance Code and was adopted at the General Meeting of Shareholders on May 18, 2006.

Further details on the Corporate Executive Board members' employment agreements, individual remuneration, pension, shares and other interests in the Company are outlined in *Notes 31 and 32* to the consolidated financial statements.

Remuneration Committee

The main responsibilities of the Remuneration Committee include:

- Preparing proposals for the Supervisory Board on the remuneration policy for the Corporate Executive Board, to be adopted by the General Meeting of Shareholders
- Preparing proposals on the remuneration of individual members of the Corporate Executive Board
- Advising on the level and structure of compensation for senior personnel other than members of the Corporate Executive Board

The Remuneration Committee uses internal and external advisors for market data and recent developments. In 2012, external advisors were hired to provide advice regarding market practices and developments relating to the remuneration policy and short- and long-term incentive plans. Ultimately, the Supervisory Board determines the level and composition of the remuneration components for the individual members of the Corporate Executive Board.

The current members of the Remuneration Committee are Supervisory Board members Derk Doijer (Chairman), Stephanie Shern, Judith Sprieser, Mark McGrath and Ben Noteboom. In 2012, the Remuneration Committee met five times.

Remuneration policy 2012

Ahold's remuneration policy is focused on Total Direct Compensation, which is benchmarked against a pre-defined peer group.

Total Direct Compensation

The basic elements of the Total Direct Compensation provided to Ahold's Corporate Executive Board members are (1) a base salary, (2) an annual cash incentive and (3) a long-term, equity-based program. An important component of the overall remuneration package is the pension benefit, which is not regarded as a component of Total Direct Compensation.

Peer group

The peer group used to assess the competitiveness of the overall remuneration provided to the Corporate Executive Board is the same as that used to benchmark the performance of the Company. This peer group reflects Ahold's geographic operating areas and the markets most relevant in relation to the recruitment and retention of top management. In addition, market practice in the Netherlands is considered, and peer group companies are selected based on relevant size, public listing and liquidity of shares.

Wal-Mart Stores, Inc.	Costco Wholesale Corporation	SuperValu Inc.
Carrefour S.A.	The Kroger Co.	Delhaize Brothers and Co.
Metro A.G.	Target Corporation	(Delhaize Group)
Tesco PLC	Safeway Inc.	Staples, Inc.

To anticipate changes to the peer group, a short list of substitutes has been defined. In selecting the most appropriate replacement, the Supervisory Board uses the same criteria as were used to select the companies in the current peer group.

Base salary

The composition (risk profile) of the existing Total Direct Compensation levels is taken into account when benchmarking base salary levels. The target Total Direct Compensation level is typically around the 50th percentile.

Annual cash incentive plan

The Corporate Executive Board's annual cash incentive plan uses three equally weighted measures: net sales growth, operating margin and Return on Net Assets (RoNA). The at-target payout as a percentage of base salary is 100%, contingent on full achievement of the individual's objectives, with a cap at 125% of the base salary. Ahold does not disclose the required performance levels of the measures, as this is considered commercially sensitive information. A claw back provision is embedded in the rules of the Annual Incentive Plan.

Equity-based program: Global Reward Opportunity

Under the Global Reward Opportunity (GRO) program, conditional shares are granted through three-year (with a performance hurdle at grant) and five-year (with a performance hurdle at grant and vesting) programs. In principle, plan rules will not be altered during the term of the plan.

The Supervisory Board has set the target value to be granted under GRO for the members of the Corporate Executive Board at 150% of base pay. The number of conditional shares to be granted is determined by the at-target value of the grant, the annual cash incentive plan multiplier of the preceding year and the average share price during the six months preceding the date of grant. For example, assuming an at-target grant value of €100,000 and an annual incentive multiplier for the preceding year of 0.8, the value to be granted would be 0.8 x €100,000 = €80,000. Assuming, furthermore, a six-month average share price preceding the date of grant of €8.00, the number of shares to be conditionally granted would be 10,000. Of these 10,000 shares, 5,000 would be granted through the three-year component and 5,000 through the five-year Total Shareholder Return (TSR)-related component. If the annual incentive multiplier is zero, 50% of the grant value at target would be granted through the five-year program only.

As a result of the two above-mentioned factors (the relation between the annual cash incentive and the GRO program, and the fact that the maximum annual cash incentive multiplier is capped at 1.25), the maximum grant value is 187.5% of base salary.

Scenario analyses are prepared regularly to estimate possible future payout levels. These analyses are included in the annual evaluation of the remuneration policy, each of its components and the mix of these components (the risk profile of the package).

Remuneration (continued)

Three-year component

The shares conditionally granted (with a performance hurdle at grant) under this component vest after three years of continued employment. The performance hurdle at grant is the multiplier of the Annual Incentive Plan of the preceding year, which is used to determine the number of shares to be conditionally granted. Corporate Executive Board members must retain these shares for a period of five years from the grant date. They are allowed to sell part of the shares to finance tax due at the date of vesting.

Five-year component

The shares conditionally granted (with a performance hurdle at both grant and vesting) under this component vest at the end of the performance period of five years. Performance at vesting is measured using TSR (share price growth and dividends paid over the performance period) as benchmarked against the TSR performance of the peer group. The number of shares that vest depends on Ahold's ranking within the peer group. No shares will vest if Ahold ranks below the seventh position of the peer group, which consists of 12 companies (including Ahold). The table below indicates the percentage of conditional shares that could vest based on Ahold's ranking within the peer group.

Corporate Executive Board members

Rank	%	Rank	%	Rank	%	Rank	%
1	150%	4	90%	7	25%	10	0%
2	130%	5	70%	8	0%	11	0%
3	110%	6	50%	9	0%	12	0%

An independent external advisor determines the ranking against the peer group based on TSR performance.

Pension and other contract terms

Pension

The pension plan for Corporate Executive Board members is identical to that of all other Ahold employees in the Netherlands and is referred to as a career average pension plan. The normal retirement age is 65. Under this plan, each Corporate Executive Board member pays a pension premium contribution of approximately 1% of his or her pension-bearing salary.

During 2012, the Ahold Pension Fund plan was amended. The plan amendments will become effective in two phases: the first on January 1, 2013, and the second on January 1, 2014. The pension accrual will be based on an increased age (accrual of future benefits lowered from 2.25% to 2% from January 1, 2014), contributions from participants will be gradually increased and the income offset component will be gradually lowered. The employer contribution as well as the conditional additional funding rules will remain the same.

Other contract terms

Loans

Ahold does not provide loans or advances to members of the Corporate Executive Board or the Supervisory Board. There are no loans or advances outstanding. Ahold does not issue guarantees to the benefit of members of the Corporate Executive Board or the Supervisory Board. There have been no such guarantees issued.

Additional arrangements

In addition to the remuneration allocated to Corporate Executive Board members, a number of additional arrangements apply. These include expense allowances, medical insurance and accident insurance, and are in line with standard practice in the Netherlands.

Employment agreements

The term of appointment for all Corporate Executive Board members is set at four years, while the term of employment is indefinite. If the Company terminates the employment agreement of any member of the Corporate Executive Board, the severance payment is limited to one year's base salary. The same applies if an initial employment agreement for four years is not continued because the Corporate Executive Board member is not reappointed. The employment agreements may be terminated by Ahold with a notice period of 12 months and by the Corporate Executive Board member with a notice period of six months.

Remuneration 2012

The Remuneration Committee monitors the effectiveness of the remuneration policy and its implementation. The Committee advises the Supervisory Board on target-setting and monitors the (individual) achievement of the targets by members of the Corporate Executive Board. As a principle, targets are aspirational, though realistic, and should be based on historical performance and operational and strategic objectives. They should also contribute to the realization of long-term objectives, taking into account the Company's risk profile.

The details of (individual) remuneration to members of the Corporate Executive Board are outlined in *Notes 31 and 32* to the consolidated financial statements and are in accordance with accounting standards.

During 2012 the members of the Corporate Executive Board did not receive any severance pay or other special remuneration. Overall, in 2012, the remuneration to the members of the Corporate Executive Board was in line with the policy.

Remuneration (continued)

Vesting of shares under the GRO plan

On April 18, 2013, a maximum of 0.1 million conditional shares granted in 2010 to members of the Corporate Executive Board under the three-year component of the GRO plan and 0.1 million performance shares granted in 2008 to members of the Corporate Executive Board under the five-year component of the GRO plan are expected to vest; some of the Board members whose shares are vesting have retired since the grant dates, and some are continuing members of the Corporate Executive Board. Except to finance tax due on the vesting date, members of the Corporate Executive Board cannot sell the conditional shares for a period of at least five years following the grant date, or until the end of their employment, if this period is shorter.

For Ahold employees, on March 1, 2013, a maximum of 1.3 million conditional shares granted in 2010 under the three-year component of the Global Reward Opportunity (GRO) equity-based long-term incentive plan, 2.1 million performance shares granted in 2008 to Ahold employees under the five-year component of the GRO plan, and 0.1 million matching shares granted in 2008 to Ahold employees under the three-year component of the GRO plan are expected to vest. Vesting is subject to the participant being employed by the Company on the applicable vesting date. On the vesting date, participants are eligible, subject to the GRO plan rules, to sell all or part of the shares vested.

The Company will use treasury shares for delivery of the vested shares.

Outlook remuneration policy 2013

The Remuneration Committee's evaluation of the current policy, which was adopted at the General Meeting of Shareholders in 2006, resulted in recommendations to the Supervisory Board to propose changes to that policy. The changes are aimed to further align the remuneration policy with Ahold's strategy and performance, corporate governance best practices, and remuneration of other (senior) executives and staff members. In line with these recommendations by the Remuneration Committee, the Supervisory Board will present an amended remuneration policy for Ahold's Corporate Executive Board at the General Meeting of Shareholders.

Declarations

Introduction

This 2012 Ahold Annual Report dated February 27, 2013 (the Annual Report) comprises regulated information within the meaning of sections 1:1 and 5:25c of the Dutch Act on Financial Supervision "Wet op het financieel toezicht".

For the consolidated and the parent company's 2012 financial statements "jaarrekening" within the meaning of section 2:361 of the Dutch Civil Code, please refer to Financials. The members of the Corporate Executive Board and the Supervisory Board have signed the 2012 financial statements pursuant to their obligation under section 2:101, paragraph 2 of the Dutch Civil Code.

The following sections of this Annual Report together form the management report "jaarverslag" within the meaning of section 2:391 of the Dutch Civil Code: *Ahold at a glance*, *Our strategy*, *Our performance*, *How we manage risk*, *Our leadership*, *Corporate governance*, *Remuneration* and the subsection *Remuneration* included in the *Supervisory Board report.*

For other information "overige gegevens" within the meaning of section 2:392 of the Dutch Civil Code, please refer to subsection Other information under Financials, and to the section Investors.

Declarations

The members of the Corporate Executive Board as required by section 5:25c, paragraph 2, under c of the Dutch Act on Financial Supervision confirm that to the best of their knowledge:

- The 2012 financial statements included in this Annual Report give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- The management report included in this Annual Report gives a true and fair view of the position of the Company and the undertakings included in the consolidation taken as a whole as of December 30, 2012, and of the development and performance of the business for the financial year then ended
- The management report includes a description of the principal risks and uncertainties that the Company faces

Corporate Executive Board

Dick Boer	President and Chief Executive Officer
Jeff Carr	Executive Vice President and Chief Financial Officer
Lodewijk Hijmans van den Bergh	Executive Vice President and Chief Corporate Governance Counsel
James McCann	Executive Vice President and Chief Operating Officer, Ahold USA

This Annual Report, including the 2012 financial statements, audited by Deloitte Accountants B.V., has been presented to the Supervisory Board. The 2012 financial statements and the independent auditor's report relating to the audit of the 2012 financial statements were discussed with the Audit Committee in the presence of the Corporate Executive Board and the external auditor. The Supervisory Board recommends that the General Meeting of Shareholders adopts the 2012 financial statements included in this Annual Report and recommends the proposal to pay a cash dividend for the financial year 2012 of €0.44 per common share.

Supervisory Board

René Dahan (Chairman)	Judith Sprieser
Tom de Swaan (Vice Chairman)	Mark McGrath
Derk Doijer	Ben Noteboom
Stephanie Shern	Rob van den Bergh

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Consolidated income statement

€ million	Note	2012	2011
Net sales	7	**32,841**	30,271
Cost of sales	8	**(24,317)**	(22,350)
Gross profit		**8,524**	7,921
Selling expenses		**(6,161)**	(5,652)
General and administrative expenses		**(1,176)**	(922)
Total operating expenses	8	**(7,337)**	(6,574)
Operating income		**1,187**	1,347
Interest income		**10**	20
Interest expense		**(236)**	(245)
Other financial expenses		**(1)**	(91)
Net financial expenses	9	**(227)**	(316)
Income before income taxes		**960**	1,031
Income taxes	10	**(211)**	(140)
Share in income of joint ventures	14	**81**	141
Income from continuing operations		**830**	1,032
Loss from discontinued operations	5	**(3)**	(15)
Net income attributable to common shareholders		**827**	1,017
Earnings per share	29		
Net income per share attributable to common shareholders			
Basic		**0.80**	0.92
Diluted		**0.77**	0.89
Income from continuing operations per share attributable to common shareholders			
Basic		**0.80**	0.93
Diluted		**0.78**	0.90
Weighted average number of common shares outstanding (in millions)			
Basic		**1,040**	1,111
Diluted		**1,100**	1,171

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

€ million	2012	2011
Net income	**827**	1,017
Currency translation differences in foreign interests:		
Currency translation differences in foreign interests before income taxes	**(33)**	122
Income taxes	**–**	1
Cash flow hedges:		
Fair value losses in the year	**(89)**	(34)
Transfers to net income	**45**	(13)
Income taxes	**11**	11
Share of other comprehensive loss of joint ventures	**(4)**	(3)
Other comprehensive income (loss)	**(70)**	84
Total comprehensive income attributable to common shareholders	**757**	1,101

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated balance sheet

€ million	Note	December 30, 2012	January 1, 2012
Assets			
Property, plant and equipment	11	**6,038**	5,984
Investment property	12	**565**	593
Intangible assets	13	**1, 569**	836
Investments in joint ventures	14	**1,047**	1,087
Other non-current financial assets	15	**1,059**	859
Deferred tax assets	10	**353**	394
Other non-current assets		**35**	34
Total non-current assets		**10,666**	9,787
Inventories	16	**1,492**	1,466
Receivables	17	**793**	751
Other current financial assets	18	**43**	336
Income taxes receivable		**47**	27
Other current assets		**155**	175
Cash and cash equivalents	19	**1,886**	2,438
Total current assets		**4,416**	5,193
Total assets		**15,082**	14,980
Equity and liabilities			
Equity attributable to common shareholders	20	**5,995**	5,877
Loans	21	**1,431**	1,489
Other non-current financial liabilities	22	**1,930**	1,813
Pensions and other post-employment benefits	23	**110**	94
Deferred tax liabilities	10	**292**	199
Provisions	24	**646**	664
Other non-current liabilities	25	**251**	230
Total non-current liabilities		**4,660**	4,489
Accounts payable		**2,667**	2,436
Other current financial liabilities	26	**236**	648
Income taxes payable		**134**	136
Provisions	24	**256**	253
Other current liabilities	27	**1,134**	1,141
Total current liabilities		**4,427**	4,614
Total equity and liabilities		**15,082**	14,980

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

€ million	Note	Share capital	Additional paid-in capital	Currency translation reserve	Cash flow hedging reserve	Other reserves including accumulated deficit	Equity attributable to common shareholders
Balance as of January 2, 2011		**358**	**9,916**	**(385)**	**(63)**	**(3,916)**	**5,910**
Dividends		–	–	–	–	(328)	(328)
Total comprehensive income		–	–	123	(36)	1,014	1,101
Share buyback		–	–	–	–	(837)	(837)
Cancellation of treasury shares		(28)	(822)	–	–	850	–
Share-based payments		–	–	–	–	31	31
Other changes in reserves		–	–	(3)	6	(3)	–
Balance as of January 1, 2012	20	**330**	**9,094**	**(265)**	**(93)**	**(3,189)**	**5,877**
Dividends		–	–	–	–	(415)	(415)
Total comprehensive income		–	–	(33)	(33)	823	757
Share buyback		–	–	–	–	(277)	(277)
Cancellation of treasury shares		(12)	(381)	–	–	393	–
Share-based payments		–	–	–	–	53	53
Balance as of December 30, 2012	20	**318**	**8,713**	**(298)**	**(126)**	**(2,612)**	**5,995**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

€ million	Note	2012	2011
Operating income		**1,187**	1,347
Adjustments for:			
Depreciation, amortization, write-downs and impairments		**968**	797
Gains on the sale of assets / disposal groups held for sale		**(21)**	(12)
Share-based compensation expenses		**40**	29
Operating cash flows before changes in operating assets and liabilities		**2,174**	2,161
Changes in working capital:			
Changes in inventories		**(24)**	(103)
Changes in receivables and other current assets		**(9)**	(7)
Changes in payables and other current liabilities		**180**	85
Changes in other non-current assets, other non-current liabilities and provisions		**(71)**	(138)
Cash generated from operations		**2,250**	1,998
Income taxes paid – net		**(134)**	(212)
Operating cash flows from continuing operations		**2,116**	1,786
Operating cash flows from discontinued operations		**(6)**	(10)
Net cash from operating activities		**2,110**	1,776
Payments to purchase non-current assets		**(911)**	(755)
Divestments of assets / disposal groups held for sale		**51**	23
Acquisition of businesses, net of cash acquired	28	**(701)**	(30)
Divestment of businesses, net of cash divested	28	**(43)**	(13)
Changes in short-term deposits		**155**	71
Dividends received from joint ventures		**157**	130
Interest received		**11**	27
Other		**(1)**	50
Investing cash flows from continuing operations		**(1,282)**	(497)
Net cash from investing activities		**(1,282)**	(497)
Interest paid		**(236)**	(246)
Repayments of loans		**(459)**	(17)
Repayments of finance lease liabilities		**(75)**	(60)
Dividends paid on common shares		**(415)**	(328)
Share buyback		**(277)**	(837)
Other cash flows from derivatives		**111**	(19)
Other		**16**	6
Financing cash flows from continuing operations		**(1,335)**	(1,501)
Financing cash flows from discontinued operations		**(4)**	(4)
Net cash from financing activities		**(1,339)**	(1,505)
Net cash from operating, investing and financing activities	28	**(511)**	(226)

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 The Company and its operations

The principal activity of Koninklijke Ahold N.V. (Ahold or the Company or Group or Ahold group), a public limited liability company with its registered seat in Zaandam, the Netherlands and its head office in Amsterdam, the Netherlands, is the operation of retail stores in Europe and the United States through subsidiaries and joint ventures. Ahold's significant subsidiaries, joint ventures and associates are listed in *Note 36*.

2 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code. As the financial data of Koninklijke Ahold N.V. (the parent company) are included in the consolidated financial statements, the income statement in the parent company financial statements is presented in condensed form (in accordance with section 402, Book 2 of the Netherlands Civil Code).

Historical cost is used as the measurement basis unless otherwise indicated.

Ahold's financial year is a 52- or 53-week period ending on the Sunday nearest to December 31. Financial year 2012 consisted of 52 weeks and ended on December 30, 2012. The comparative financial year 2011 consisted of 52 weeks and ended on January 1, 2012.

These consolidated financial statements are presented in euros (€). The following exchange rates of the euro against the U.S. dollar ($) have been used in the preparation of these financial statements:

	2012	2011
Average exchange rate	**0.7782**	0.7189
Year-end closing exchange rate	**0.7566**	0.7724

The preparation of financial statements requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. All assumptions, expectations and forecasts used as a basis for certain estimates within these financial statements represent good faith assessments of Ahold's future performance for which management believes there is a reasonable basis. They involve risks, uncertainties and other factors that could cause the Company's actual future results, performance and achievements to differ materially from those forecasted. The estimates, assumptions and judgments that management considers most critical relate to:

- Vendor allowances *(Note 3)*
- Income taxes *(Notes 3 and 10)*
- Intangible assets *(Note 3)*
- Leases and sale and leaseback transactions *(Note 3)*
- Impairments *(Note 3)*
- Equity method of accounting for ICA *(Note 14)*
- Company and multi-employer pension obligations *(Note 23)*
- Provisions and contingencies *(Notes 24 and 34)*

3 Significant accounting policies

Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Company has control. Control is defined as the power to govern the financial and operating policies of an entity, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date that control commences until the date that control ceases. All intra-group transactions, balances, income and expenses are eliminated upon consolidation. Unrealized losses on intra-group transactions are eliminated, unless the transaction provides evidence of an impairment of the assets transferred.

Non-controlling interests are recorded, as appropriate, on the consolidated balance sheet, in the consolidated income statement, and in the consolidated statement of comprehensive income for the non-controlling shareholders' share in the net assets and the income or loss of subsidiaries. Non-controlling shareholders' interest in an acquired subsidiary is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

Foreign currency translation

The financial statements of subsidiaries, joint ventures and associates are prepared in their functional currencies, which are determined based on the primary economic environment in which they operate. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the transaction dates. At each balance sheet date, monetary items denominated in foreign currencies are translated into the entity's functional currency at the then prevailing rates. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in net income for the period. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are considered as assets and liabilities denominated in the functional currency of the foreign entity.

Upon consolidation, the assets and liabilities of subsidiaries with a functional currency other than the euro are translated into euros using the exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the respective periods. Investments in joint ventures and associates with a functional currency other than the euro are translated into euros using exchange rates prevailing on the balance sheet date. Exchange rate differences arising during consolidation and on the translation of investments in joint ventures and associates are included in equity, in the currency translation reserve. Intercompany loans to and from foreign entities for which settlement is neither planned nor likely to occur in the foreseeable future are considered to increase or decrease the net investment in that foreign entity; therefore the exchange rate differences relating to these loans are also included in equity, in the currency translation reserve.

3 Significant accounting policies (continued)

On the disposal of a foreign operation resulting in loss of control, loss of joint control or loss of significant influence, the related cumulative exchange rate difference that was included in equity is transferred to the consolidated income statement. On the partial disposal of a foreign operation not resulting in loss of control, the related cumulative exchange rate difference that was included in equity is proportionately re-attributed to the non-controlling interests in that foreign operation. On the disposal of a foreign operation not resulting in loss of joint control or loss of significant influence, the related cumulative exchange rate difference that was included in equity is proportionately transferred to the consolidated income statement.

Segmentation

Ahold's operating segments are its retail operating companies that engage in business activities from which they earn revenues and incur expenses and whose operating results are regularly reviewed by the Corporate Executive Board to make decisions about resources to be allocated to the segments and to assess their performance. In establishing the reportable segments, certain operating segments with similar economic characteristics have been aggregated.

Performance of the segments is evaluated against several measures, of which operating income is the most important. Intersegment sales are executed under normal commercial terms and conditions that would also be available to unrelated third parties. Net sales are attributed to geographic regions based on the location of stores.

Net sales

Ahold generates and recognizes net sales to retail customers at the point of sale in its stores and upon delivery of groceries to internet customers. Ahold also generates revenues from the sale of products to retail franchisees that are recognized upon delivery. Ahold recognizes franchise fees as revenue when all material services relating to the contract have been substantially performed. Future discounts earned by customers in connection with bonus or loyalty cards and other company-sponsored programs are deferred on the balance sheet at the time of the sale and subsequently recognized in the income statement when redeemed.

Generally, net sales and cost of sales are recorded based on the gross amount received from the customer for products sold and the amount paid to the vendor for products purchased, excluding sales taxes and value-added taxes. However, for certain products or services, such as the sale of lottery tickets, third-party prepaid phone cards, stamps and public transportation tickets, Ahold acts as an agent and consequently records the amount of commission income in its net sales.

Cost of sales

Cost of sales includes the purchase price of the products sold and other costs incurred in bringing the inventories to the location and condition ready for sale. These costs include costs of purchasing, storing, rent, depreciation of property, plant and equipment, salaries, and transporting products to the extent that it relates to bringing the inventories to the location and condition ready for sale.

Vendor allowances

Ahold receives various types of vendor allowances. The most common allowances vendors offer are (i) volume allowances, which are off-invoice or amounts billed back to vendors based on the quantity of products sold to customers or purchased from the vendor and (ii) promotional allowances, which relate to cooperative advertising and market development efforts. Volume allowances are recognized as a reduction of the cost of the related products as they are sold. Promotional allowances are recognized as a reduction of the cost of the related products when the Company has performed the activities specified in the contract with the vendor. If the contract does not specify any performance criteria, the allowance is recognized over the term of the contract. Vendor allowances are generally deducted from cost of sales, unless there is clear evidence that they should be classified as revenue or a reimbursement of costs. Ahold recognizes vendor allowances only where there is evidence of a binding arrangement with the vendor, the amount can be estimated reliably and receipt is probable.

The accounting for vendor allowances requires a number of estimates. First, the Company must estimate the allowances that are earned based on the fulfillment of its related obligations, many of which require management to estimate the volume of purchases that will be made during a period of time. Second, the Company needs to estimate the amount of related product that was sold and the amount that remains in ending inventories and accordingly allocate the allowance to cost of sales or inventories. Management makes this estimate based on the turnover of the inventories and allocates a portion of the related vendor allowance to ending inventories until such product is estimated to have been sold to customers.

Selling expenses

Selling expenses consist of store employees' salaries and wages, store expenses, rent income and rent expense or depreciation related to stores, advertising costs and other selling expenses.

General and administrative expenses

General and administrative expenses consist of support office employees' salaries and wages, rent and depreciation of support offices, impairment losses and reversals, gains and losses on the sale of non-current assets and disposal groups held for sale, restructuring costs, and other general and administrative expenses.

Share-based compensation

The grant date fair value of share-based compensation plans is expensed, with a corresponding increase in equity, on a straight-line basis over the vesting periods of the grants. The cumulative expense recognized at each balance sheet date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of shares that will eventually vest. No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition (e.g. total shareholder return). Those are treated as vested irrespective of whether or not the market condition is ultimately satisfied, provided that all non-market conditions (e.g. continued employment) are satisfied.

3 Significant accounting policies (continued)

Income taxes

Income tax expense represents the sum of current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity. Current tax expense is based on the best estimate of taxable income for the year, using tax rates that have been enacted or substantively enacted at the balance sheet date and adjustments for current taxes payable (receivable) for prior years. Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and the corresponding tax basis used in the computation of taxable income. Deferred tax assets and liabilities are generally recognized for all temporary differences, except to the extent that a deferred tax liability arises from the initial recognition of goodwill. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized.

Deferred tax assets, including deferred tax assets for tax loss carryforward positions and tax credit carryforward positions, are recognized to the extent that it is probable that future taxable income will be available against which temporary differences, unused tax losses or unused tax credits can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are not discounted. Deferred income tax assets and liabilities are offset on the balance sheet when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to income taxes levied by the same fiscal authority. Current income tax assets and liabilities are offset on the balance sheet when there is a legally enforceable right to offset and when the Company intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The ultimate tax effects of some transactions can be uncertain for a considerable period of time, requiring management to estimate the related current and deferred tax positions. The Company recognizes liabilities for uncertain tax positions when it is more likely than not that additional taxes will be due. These liabilities are presented as current income taxes payable, except in jurisdictions where prior tax losses are being carried forward to be used to offset future taxes that will be due; in these instances the liabilities are presented as a reduction to deferred tax assets.

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. For this to be the case the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable. Non-current assets (or disposal groups) classified as held for sale are measured at the lower of the asset's carrying amount and the fair value less costs to sell. Depreciation or amortization of an asset ceases when it is classified as held for sale. Equity accounting ceases for an investment in a joint venture or associate when it is classified as held for sale; instead dividends received are recognized in the consolidated income statement.

A discontinued operation is a component of the Company that either has been disposed of or is classified as held for sale, and represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations. Results from discontinued operations that are clearly identifiable as part of the component disposed of and that will not be recognized subsequent to the disposal are presented separately as a single amount in the consolidated income statement. Results and cash flows from discontinued operations are reclassified for prior periods and presented in the financial statements so that the results and cash flows from discontinued operations relate to all operations that have been discontinued as of the balance sheet date for the latest period presented.

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition or construction of an asset and borrowing costs incurred during construction. Where applicable, estimated asset retirement costs are added to the cost of an asset. Subsequent expenditures are capitalized only when it is probable that future economic benefits associated with the item will flow to the Company and the costs can be measured reliably. All other subsequent expenditures represent repairs and maintenance and are expensed as incurred.

Depreciation is computed using the straight-line method based on the estimated useful lives of the items of property, plant and equipment, taking into account the estimated residual value. Where an item of property, plant and equipment comprises major components having different useful lives, each such part is depreciated separately. The assets' useful lives are reviewed, and adjusted, if appropriate, at each balance sheet date.

The estimated useful lives of property, plant and equipment are:

Land	indefinite
Buildings	30 – 40 years
Building components	7 – 20 years
Machinery and equipment	5 – 12 years
Other	3 – 10 years

Depreciation of assets subject to finance leases and leasehold improvements is calculated on a straight-line basis over either the lease term (including renewal periods when renewal is reasonably assured) or the estimated useful life of the asset, whichever is shorter.

3 Significant accounting policies (continued)

Investment property

Investment property consists of land and buildings held by Ahold to earn rental income or for capital appreciation, or both. These properties are not used by Ahold in the ordinary course of business. Ahold often owns (or leases under a finance lease) shopping centers containing both an Ahold store and third-party retail units. In these cases, the third-party retail units generate rental income, but are primarily of strategic importance for operating purposes to Ahold in its retail operations. Ahold recognizes the part of an owned (or leased under a finance lease) shopping center that is leased to third-party retailers as investment property, unless it represents an insignificant portion of the property. Land and buildings leased to franchisees are not considered to be investment property as they contribute directly to Ahold's retail operations. Investment property is measured on the same basis as property, plant and equipment.

Leases and sale and leaseback transactions

Leases

Ahold is a lessee of land, buildings and equipment under operating and finance lease arrangements. Ahold classifies its leases as finance leases when the lease agreement transfers substantially all the risks and rewards of ownership to Ahold. For leases determined to be finance leases, the asset and liability are recognized at the inception of the lease at an amount equal either to the fair value of the leased asset or the present value of the minimum lease payments during the lease term, whichever is lower. Lease payments are apportioned between interest charges and a reduction of the lease liability so as to achieve a constant rate of interest on the remaining liability balance. Contingent rentals are expensed as incurred.

Leases that do not qualify as finance leases are classified as operating leases, and the related lease payments are expensed on a straight-line basis over the lease term, including, as applicable, any rent-free period during which Ahold has the right to use the asset. Payments made to Ahold representing incentives to sign a new lease or representing reimbursements for leasehold improvements are deferred and recognized on a straight-line basis over the term of the lease as reductions to rental expense.

For leases with renewal options where the renewal is reasonably assured, the lease term used to (i) determine the appropriate lease classification, (ii) compute periodic rental expense and (iii) depreciate leasehold improvements (unless their economic lives are shorter) includes the periods of expected renewals.

Determining whether a lease agreement is a finance or an operating lease requires judgment on various aspects. These include the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term and the determination of an appropriate discount rate to calculate the present value of the minimum lease payments.

Sale and leaseback

The gain or loss on sale and operating leaseback transactions is recognized in the income statement immediately if (i) Ahold does not maintain or maintains only minor continuing involvement in these properties, other than the required lease payments, and (ii) these transactions occur at fair value. Any gain or loss on sale and finance leaseback transactions is deferred and amortized over the term of the lease. In classifying the leaseback in a sale and leaseback transaction, similar judgments have to be made as described above under *Leases*.

In some sale and leaseback arrangements, Ahold sells a property and only leases back a portion of that property. These properties generally involve shopping centers that contain an Ahold store as well as other stores leased to third-party retailers. In such situations, Ahold recognizes a sale and the resulting profit on the portion of the shopping center that is not leased back to the extent that (i) the property is sold for fair value and (ii) the risks and rewards of owning stores that are not leased back to Ahold have been fully transferred to the buyer. The leaseback of the Ahold store and any gain on the sale of the Ahold store is accounted for under the sale and leaseback criteria described above.

In some sale and leaseback arrangements, Ahold subleases the property to third parties (including franchisees) or maintains a form of continuing involvement in the property sold, such as earn-out provisions or obligations or options to repurchase the property. In such situations, the transaction generally does not qualify for sale and leaseback accounting, but rather is accounted for as a financing transaction (financing). The carrying amount of the asset remains on the balance sheet and the sale proceeds are recorded as a financing obligation. The financing obligation is amortized over the lease term, using either the effective interest rate or Ahold's cost of debt rate, whichever is higher. Once Ahold's continuing involvement ends, the sale is accounted for under the sale and leaseback criteria described above.

Intangible assets

Goodwill and impairment of goodwill

Goodwill represents the excess of the cost of an acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition, and is carried at cost less accumulated impairment losses. Goodwill on acquisitions of joint ventures and associates is included in the carrying amount of the investment.

3 Significant accounting policies (continued)

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of a business combination. Goodwill is allocated to a cash-generating unit (or group of cash-generating units) representing the lowest level within the Company at which the goodwill is monitored for internal management purposes and is never larger than an operating segment before aggregation. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the cash-generating unit may be impaired. Goodwill on acquisitions of joint ventures and associates is assessed for impairment as part of the investment whenever there is an indication that the investment may be impaired. An impairment loss is recognized for the amount by which the cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of a cash-generating unit's fair value less cost to sell and its value in use. An impairment loss is allocated first to reduce the carrying amount of the goodwill and then to the other assets of the cash-generating unit pro-rata on the basis of the carrying amount of each asset in the cash-generating unit. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On the partial or complete disposal of an operation, the goodwill attributable to that operation is included in the determination of the gain or loss on disposal.

Other intangible assets

Other intangible assets are stated at fair value, determined at the date of acquisition of the related underlying business, or at cost if they are separately acquired or represent internally developed software, less accumulated amortization and impairment losses.

Customer relationships acquired in business acquisitions are stated at fair value determined using an income approach. Direct costs related to development of software for internal use are capitalized only if the costs can be measured reliably, technological feasibility has been established, future economic benefits are probable, and the Company intends to complete development and to use the software. All other costs, including all overhead, general and administrative, and training costs, are expensed as incurred. Lease-related intangible assets, consisting primarily of favorable operating lease contracts acquired in business acquisitions, are measured at the present value of the amount by which the contract terms are favorable relative to market prices at the date of acquisition.

Amortization is computed using the straight-line method based on the estimated useful lives, which are as follows:

Customer relationships	7 – 25 years
Software	3 – 10 years
Lease-related intangibles	remaining duration of the lease
Brand names	indefinite
Other	5 – indefinite

The useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Investments in joint ventures and associates

A joint venture is a contractual arrangement whereby Ahold and other parties undertake an economic activity through a jointly controlled entity. Joint control exists when strategic, financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control. Associates are entities over which Ahold has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control over those policies.

Joint ventures and associates are accounted for using the equity method. Under the equity method, investments in joint ventures and associates are measured at cost and adjusted for post-acquisition changes in Ahold's share of the net assets of the investment (net of any accumulated impairment in the value of individual investments). Where necessary, adjustments are made to the financial statements of joint ventures and associates to ensure consistency with the accounting policies of the Company.

Unrealized gains on transactions between Ahold and its joint ventures and associates are eliminated to the extent of Ahold's stake in these investments. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

Impairment of non-current assets other than goodwill

Ahold assesses on a quarterly basis whether there is any indication that non-current assets may be impaired. If indicators of impairment exist, Ahold estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of an individual asset, Ahold estimates the recoverable amount of the cash-generating unit to which it belongs. Individual stores are considered separate cash-generating units for impairment testing purposes.

The recoverable amount is the higher of an asset's fair value less cost to sell and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount.

In subsequent years, Ahold assesses whether indications exist that impairment losses previously recognized for non-current assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is recalculated and, if required, its carrying amount is increased to the revised recoverable amount. The increase is recognized in operating income as an impairment reversal. An impairment reversal is recognized only if it arises from a change in the assumptions that were used to calculate the recoverable amount. The increase in an asset's carrying amount due to an impairment reversal is limited to the depreciated amount that would have been recognized had the original impairment not occurred.

3 Significant accounting policies (continued)

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost consists of all costs of purchase, cost of conversion, and other costs incurred in bringing the inventories to their present location and condition, net of vendor allowances attributable to inventories. The cost of inventories is determined using either the first-in, first-out (FIFO) method or the weighted average cost method, depending on their nature or use. For certain inventories, cost is measured using the retail method, in which the sales value of the inventories is reduced by the appropriate percentage of gross margin. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated marketing, distribution and selling expenses.

Financial instruments

Financial assets and liabilities

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the financial assets expire, or if the Company transfers the financial asset to another party and does not retain control or substantially all risks and rewards of the asset. Financial liabilities are derecognized when the Company's obligations specified in the contract expire or are discharged or cancelled. Purchases and sales of financial assets in the normal course of business are accounted for at settlement date (i.e. the date that the asset is delivered to or by the Company).

At initial recognition, management classifies its financial assets as either (i) at fair value through profit or loss, (ii) loans and receivables, (iii) held to maturity or (iv) available for sale, depending on the purpose for which the financial assets were acquired. Financial assets are initially recognized at fair value. For instruments not classified as at fair value through profit or loss, any directly attributable transaction costs are initially recognized as part of the asset value. Directly attributable transaction costs related to financial assets at fair value through profit or loss are expensed when incurred.

The fair value of quoted investments is based on current bid prices. If the market for a financial asset is not active, or if the financial asset represents an unlisted security, the Company establishes fair value using valuation techniques. These include the use of recent arm's-length transactions, reference to other instruments that are substantially the same, and discounted cash flow analysis, making maximum use of market inputs. Subsequent to initial recognition, financial assets are measured as described below. At each balance sheet date, the Company assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Investments at fair value through profit or loss

Investments at fair value through profit or loss are those investments that are either held for trading or designated as such by the Company. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Financial instruments held for trading are measured at fair value and changes therein are recognized in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method, less any impairment losses. They are included in current assets, except for loans and receivables with maturities greater than 12 months after the balance sheet date.

Held to maturity financial assets

Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity. They are carried at amortized cost using the effective interest method, less any impairment losses. They are included in current assets, except for held to maturity financial assets with maturities greater than 12 months after the balance sheet date.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category of financial assets or not classified in any of the other categories. They are measured at fair value based on quoted market prices with changes therein recognized directly in equity until the investment is derecognized or determined to be impaired, at which time the cumulative gain or loss previously recorded in equity is transferred to the income statement. Investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured are carried at cost. Available-for-sale financial assets are included in non-current assets unless management intends to dispose of the investment within 12 months after the balance sheet date.

Cash and cash equivalents

Cash and cash equivalents include all cash on hand balances, checks, debit and credit card receivables, short-term highly liquid cash investments, and time deposits with original maturities of three months or less. Time deposits with original maturities of more than three months but less than 12 months are classified as other current financial assets. Bank overdrafts are included in short-term borrowings.

Loans and short-term borrowings

Loans and short-term borrowings are recognized initially at fair value, net of transaction costs incurred. Loans and short-term borrowings are subsequently stated at amortized cost, unless they are designated as fair value hedges. Any difference between the proceeds and redemption value is recognized in the income statement over the period of the loans and short-term borrowings using the effective interest method. Loans are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3 Significant accounting policies (continued)

Derivative financial instruments

All derivative financial instruments are recognized initially on a settlement date basis and subsequently remeasured at fair value. Gains and losses resulting from the fair value remeasurement are recognized in the income statement as fair value gains (losses) on financial instruments, unless the derivative qualifies and is effective as a hedging instrument in a designated hedging relationship. In order for a derivative financial instrument to qualify as a hedging instrument for accounting purposes, the Company must document (i) at the inception of the transaction, the relationship between the hedging instrument and the hedged item, as well as its risk management objectives and strategy for undertaking various hedging transactions and (ii) its assessment, both at hedge inception and on an ongoing basis, of whether the derivative that is used in the hedging transaction is highly effective in offsetting changes in fair values or cash flows of hedged items. Derivatives that are designated as hedges are accounted for as either cash flow hedges or fair value hedges.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized initially in the cash flow hedging reserve, a separate component of equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement. Amounts accumulated in equity are reclassified into the income statement in the same period in which the related exposure impacts the income statement. When a cash flow hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecasted transaction is ultimately recognized in the income statement. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss existing in equity is immediately recognized in the income statement.

Fair value changes of derivative instruments that qualify for fair value hedge accounting treatment are recognized in the income statement in the periods in which they arise, together with any changes in fair value of the hedged asset or liability. If the hedging instrument no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of the hedged item is amortized in the income statement over the remaining period to maturity of the hedged item.

Reinsurance assets and liabilities

Reinsurance assets include estimated receivable balances related to reinsurance contracts purchased by the Company. Reinsurance liabilities represent the expected insurance risks related to reinsurance contracts sold by the Company. Reinsurance assets and liabilities are measured on a discounted basis using accepted actuarial methods.

Financial guarantees

Financial guarantees are recognized initially as a liability at fair value. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the obligation and the amount initially recognized less cumulative amortization.

Equity

Equity instruments issued by the Company are recorded at the value of proceeds received. Own equity instruments that are bought back (treasury shares) are deducted from equity. Incremental costs that are directly attributable to issuing or buying back own equity instruments are recognized directly in equity, net of the related tax. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Cumulative preferred financing shares

Cumulative preferred financing shares, for which dividend payments are not at the discretion of the Company, are classified as non-current financial liabilities and are stated at amortized cost. The dividends on these cumulative preferred financing shares are recognized as interest expense in the income statement, using the effective interest method. From the date when Ahold receives irrevocable notification from a holder of cumulative preferred financing shares to convert these shares into common shares, the cumulative preferred financing shares are classified as a separate class of equity.

Pension and other post-employment benefits

The net assets and net liabilities recognized on the consolidated balance sheet for defined benefit plans represent the present value of the defined benefit obligations, less the fair value of plan assets, adjusted for unrecognized actuarial gains or losses and unamortized past service costs. Any net asset resulting from this calculation is limited to unrecognized actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan. No adjustment for the time value of money is made if the Company has an unconditional right to a refund of the full amount of the surplus, even if such a refund is realizable only at a future date.

Defined benefit obligations are actuarially calculated at least annually on the balance sheet date using the projected unit credit method. The present value of the defined benefit obligations is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds denominated in the currency in which the benefits will be paid, and that have an average duration similar to the expected duration of the related pension liabilities. Actuarial gains and losses are recognized using the corridor approach, which assumes that actuarial gains and losses may offset each other over the long term. Under this approach, if, for a specific plan, the net unrecognized actuarial gains and losses at the balance sheet date exceed the greater of 10% of the fair value of the plan assets and 10% of the defined benefit obligation, the excess is taken into account in determining net periodic expense for the subsequent period. The amount then recognized in the subsequent period is the excess divided by the expected remaining average working lives of employees covered by that plan on the balance sheet date.

3 Significant accounting policies (continued)

Past service costs are recognized immediately to the extent that the associated benefits are already vested, and are otherwise amortized on a straight-line basis over the average period until the associated benefits become vested. Results from curtailments or settlements, including the related portion of net unrecognized actuarial gains and losses, are recognized immediately.

Contributions to defined contribution plans are recognized as an expense when they are due. Post-employment benefits provided through industry multi-employer plans, managed by third parties, are generally accounted for under defined contribution criteria.

For other long-term employee benefits, such as long-service awards, provisions are recognized on the basis of discount rates and other estimates that are consistent with the estimates used for the defined benefit obligations. For these provisions the corridor approach is not applied and all actuarial gains and losses are recognized in the income statement immediately.

Provisions

Provisions are recognized when (i) the Company has a present (legal or constructive) obligation as a result of past events, (ii) it is more likely than not that an outflow of resources will be required to settle the obligation, and (iii) the amount can be reliably estimated. The amount recognized is the best estimate of the expenditure required to settle the obligation. Provisions are discounted whenever the effect of the time value of money is significant.

The provision for the Company's self-insurance program is recorded based on claims filed and an estimate of claims incurred but not yet reported. The provision includes expenses incurred in the claim settlement process that can be directly associated with specific claims. Other expenses incurred in the claim settlement process are expensed when incurred. The Company's estimate of the required liability of such claims is recorded on a discounted basis, utilizing an actuarial method, which is based upon various assumptions that include, but are not limited to, historical loss experience, projected loss development factors and actual payroll costs.

Restructuring provisions are recognized when the Company has approved a detailed formal restructuring plan and the restructuring either has commenced or has been announced to those affected by it. Onerous contract provisions are measured at the amount by which the unavoidable costs to fulfill agreements exceeds the expected benefits from such agreements.

New accounting policies not yet effective for 2012

The IASB issued several standards, or revisions to standards, and Interpretations that are not yet effective for 2012 but will become effective in coming years.

The amendment to IAS 1, "Presentation of Financial Statements" as part of the "Annual Improvements to IFRSs 2009-2011 Cycle" issued in May 2012, requires the Company to group the items in other comprehensive income on the basis of whether they are potentially able to be subsequently reclassified to profit or loss (reclassification adjustments). The application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income or total comprehensive income. The amendment to IAS 1 was endorsed by the EU in 2012 and the Company will adopt the amendment in 2013.

IAS 19, "Employee benefits," was amended in June 2011 and endorsed by the EU in June 2012. The amendment will be effective for the Company as of January 1, 2013. The main changes in the revised IAS 19 are to eliminate the corridor approach and recognize all actuarial gains and losses in other comprehensive income as they occur, to immediately recognize all past service costs, and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

The amendments to IAS 19 require retrospective application. Based on the Company's preliminary assessment, when the Company applies the amendments to IAS 19 for the first time for the year ending December 29, 2013, an adjustment will be made to recognize the January 1, 2012, opening balances of actuarial gains and losses and past service costs. This will result in a reduction in accumulated other comprehensive income (€39 million), a decrease in the opening balance of net pension assets (€122 million, which includes a €27 million adjustment for future employee contributions reducing the defined benefit obligation) and an increase in deferred tax assets (€83 million). The profit after income tax for the year ended December 30, 2012, will be increased by €86 million and other comprehensive income for the year will be decreased by €1,203 million (€873 million after tax) with the corresponding adjustments being recognized within pension assets and provisions as well as income tax assets and liabilities. The adjustment to accumulated other comprehensive income as of December 30, 2012, amounts to €912 million. The net effect of these changes reflects a number of adjustments, including their income tax effects: a) full recognition of actuarial gains through other comprehensive income and decrease in the net pension asset; b) immediate recognition of past service costs in profit or loss and an increase in the net pension asset; and c) reversal of the difference between the gain arising from the expected rate of return on pension plan assets and the discount rate through other comprehensive income.

IFRS 9, "Financial instruments," addresses the classification, measurement and recognition of financial assets and financial liabilities. The IASB is adding to the standard as it completes the various phases of its comprehensive project on financial instruments, and it will eventually form a complete replacement for IAS 39 "Financial Instruments: Recognition and Measurement." Phases two and three of the financial instruments project, the impairment of financial assets and hedge accounting phases, respectively, are still a work in progress. IFRS 9 was issued in parts in November 2009 and October 2010 and amended in 2011. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change that is due to an entity's own credit risk is recorded in other comprehensive income rather than in the income statement. The Company has yet to assess IFRS 9's full impact. The standard will be effective for the Company as of January 1, 2015, subject to EU endorsement.

3 Significant accounting policies (continued)

IFRS 10, “Consolidated financial statements,” replaces parts of IAS 27, “Consolidated and separate financial statements,” and SIC 12, “Consolidation – special purpose entities,” and builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 was endorsed by the EU in 2012, and the Company will adopt the standard in 2013. The adoption of IFRS 10 should not have a significant effect on the future consolidated financial statements.

IFRS 11, “Joint arrangements,” replaces IAS 31, “Interests in joint ventures,” and SIC 13, “Jointly controlled entities,” and deals with how a joint arrangement in which two or more parties have joint control over an entity should be classified. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. Joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting. IFRS 11 was endorsed by the EU in 2012, and the Company will adopt the standard in 2013. The adoption of IFRS 11 should not have a significant effect on the future consolidated financial statements.

IFRS 12, “Disclosures of interests in other entities,” includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. IFRS 12 was endorsed by the EU in 2012, and the Company will adopt the standard in 2013. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

IFRS 13, “Fair value measurement,” aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across all IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within the IFRSs. IFRS 13 was endorsed by the EU in 2012 and will be effective for the Company as of January 1, 2013. It is unlikely that the adoption of IFRS 13 will significantly affect amounts reported in the future consolidated financial statements. In general, the disclosure requirements in IFRS 13 are more extensive than those in the current standards.

There are no other IFRSs or IFRIC interpretations that have been issued but are not yet effective that are expected to have a material impact on the future consolidated financial statements.

4 Acquisitions

2012 acquisitions

Acquisition of bol.com

In May 2012, Ahold acquired bol.com. The purchase consideration was €353 million in cash for 100% of the voting equity interest. The acquisition was made to further expand Ahold's online presence and broaden the range of its product offering into new non-food categories. Goodwill recognized in the amount of €248 million, which will not be deductible for tax purposes, represents expected synergies from the combination of operations, as well as the ability to broaden Ahold's offering and expand its geographic reach. Included in other intangible assets acquired were information technology, customer lists and a trade name.

Bol.com contributed €294 million to net sales and had an insignificant impact on net income in the period from May 9 to December 30, 2012. The impact excludes €6 million in transaction costs related to the acquisition, included in general and administrative expenses. Had the acquisition occurred on January 2, 2012, Ahold's 2012 pro-forma net sales would have increased by €111 million to €32,952 million. The pro-forma effect on Ahold's consolidated net income of €827 million for 2012 would have been insignificant.

Acquisition of Genuardi's Family Markets stores

In July 2012, the Giant Carlisle division acquired 15 Genuardi's Family Markets stores from Safeway. The stores acquired are located in the greater Philadelphia area. The total purchase consideration was $113 million (€91 million) for 15 store locations, equipment and lease agreements. Goodwill recognized amounted to $77 million (€62 million) and represents synergies from the combination of operations, as well as the ability to service customers in a new geographic area. Of this amount, $72 million (€58 million) is deductible for tax purposes.

These stores contributed $165 million (€129 million) to net sales and had an insignificant impact on net income in the period from July 13 to December 30, 2012, before one-time start-up and conversion costs of $16 million (€13 million). The result excludes €2 million in transaction costs related to the acquisition, included within general and administrative expenses. It is not practicable to provide the 2012 pro-forma effect on Ahold's net sales and net income.

Transaction with Jumbo

In August 2012, Ahold announced that its Albert Heijn division had completed its transaction with Jumbo concerning 78 C1000 and 4 Jumbo stores for €290 million with €265 million paid up to December 30, 2012, and the remaining to be settled as agreements are reached with the franchisees. During the second half of 2012, 15 of the stores were converted to the Albert Heijn banner. The remaining 67 franchisee-owned stores will be converted to the Albert Heijn banner over a period of time, in close cooperation with the entrepreneurs. €204 million of the amount paid, relating to these 67 stores, was included in other intangible assets (see *Note 13*). Goodwill recognized in the amount of €53 million relates to the stores that have been converted to the Albert Heijn banner and represents expected synergies from the combination of operations, as well as the ability to expand Ahold's geographic reach. The amount will not be deductible for tax purposes. The amounts recognized in the financial statements for this transaction were determined on a provisional basis.

The 15 stores that were converted to the Albert Heijn banner have contributed €33 million to net sales and an insignificant amount to net income. It is not practicable to provide the 2012 pro-forma effect on Ahold's net sales and net income.

4 Acquisitions (continued)

Other 2012 acquisitions

Ahold completed several other minor acquisitions with a total purchase consideration of €16 million.

All acquisitions were accounted for using the purchase method of accounting.

The allocation of the fair value of the net assets acquired and the goodwill arising from the acquisitions during 2012 is as follows:

€ million	bol.com	Genuardi's	Jumbo	Other	**Total**
Property, plant and equipment	2	88	4	14	**108**
Goodwill	248[1]	62	53	9	**372**
Other intangible and non-current assets	196	10	210	2	**418**
Current assets	52	8	–	1	**61**
Non-current liabilities	(81)	(74)	(2)	(10)	**(167)**
Current liabilities	(64)	(3)	–	–	**(67)**
Total purchase consideration	**353**	**91**	**265**	**16**	**725**
Cash acquired	(24)	–	–	–	**(24)**
Acquisition of business, net of cash	**329**	**91**	**265**	**16**	**701**

1 Of the €248 million of goodwill that resulted from the acquisition of bol.com, €47 million has been allocated to Albert Heijn, see *Note 13*.

2011 acquisitions

Ahold completed several minor acquisitions in 2011 with a total purchase consideration of €30 million.

All acquisitions were accounted for using the purchase method of accounting.

5 Assets and liabilities held for sale and discontinued operations

Assets and liabilities held for sale

At year-end 2012, the assets held for sale (€1 million) were included in other current assets and there were no liabilities held for sale. There were no assets and liabilities held for sale at year-end 2011.

Discontinued operations

Loss from discontinued operations is specified as follows:

€ million	**2012**	2011
BI-LO / Bruno's	**3**	(5)
Various[1]	**(6)**	(10)
Results on divestments[2]	**(3)**	(15)
Loss from discontinued operations, net of income taxes	**(3)**	(15)

1 Includes adjustments to the results on various other past divestments.

2 Results on divestments are after net income taxes of nil and net income tax benefits of €7 million in 2012 and 2011, respectively.

See *Note 28* for the reconciliation between cash received and results on divestments of discontinued operations.

BI-LO / Bruno's

Two former subsidiaries of Ahold, BI-LO, LLC and Bruno's Supermarkets, LLC (BI-LO and Bruno's), filed for protection under Chapter 11 of the U.S. Bankruptcy Code in 2009. Related to obligations under the lease guarantees, the Company recognized a provision, after tax, of €62 million in 2009. In 2010, the reorganized BI-LO exited bankruptcy protection. In 2012, Ahold recognized a reduction of €3 million (2011: an increase of €5 million) in its provision, after tax, within results on divestments. For a description of the remaining provisions, see *Note 34*.

6 Segment reporting

Reportable segments

Ahold's retail operations are presented in three reportable segments. In addition, Other retail, consisting of Ahold's unconsolidated joint ventures ICA and JMR and Ahold's Corporate Center are presented separately. The accounting policies used for the segments are the same as the accounting policies used for the consolidated financial statements as described in *Note 3*.

Reportable segment	Included in the Reportable segment
Ahold USA	Stop & Shop New England, Stop & Shop New York Metro, Giant Landover, Giant Carlisle and Peapod
The Netherlands	Albert Heijn, Albert Heijn Belgium, Albert Heijn Germany, Etos, Gall & Gall, bol.com and albert.nl
Other Europe	Albert (Czech Republic and Slovakia) and Hypernova (Slovakia)

Other	Included in Other
Other retail	Unconsolidated joint ventures ICA and JMR
Corporate Center	Corporate Center staff (the Netherlands, Switzerland and the United States)

Net sales

€ million	**2012**	2011
Ahold USA	**20,112**	18,026
The Netherlands	**11,054**	10,506
Other Europe	**1,675**	1,739
Ahold group	**32,841**	30,271

Operating income

€ million	**2012**	2011
Ahold USA	**619**	734
The Netherlands	**676**	675
Other Europe	**3**	18
Corporate Center	**(111)**	(80)
Ahold group	**1,187**	1,347

6 Segment reporting (continued)

Additions to property, plant and equipment, investment property, and intangible assets (including assets acquired through business combinations)

€ million	2012	2011
Ahold USA	**813**	582
The Netherlands	**1,016**	262
Other Europe	**47**	37
Corporate Center	**–**	–
Ahold group	**1,876**	881

Depreciation and amortization of property, plant and equipment, investment property, and intangible assets

€ million	2012	2011
Ahold USA	**552**	510
The Netherlands	**222**	212
Other Europe	**45**	49
Corporate Center	**2**	1
Ahold group	**821**	772

Net impairments of property, plant and equipment, investment property, intangible assets, and write-downs of intangible assets under development

€ million	2012	2011
Ahold USA	**124**	23
The Netherlands	**5**	–
Other Europe	**18**	2
Corporate Center	**–**	–
Ahold group	**147**	25

Non-current assets (property, plant and equipment, investment property, and intangible assets)

€ million	2012	2011
Ahold USA	**5,332**	5,345
The Netherlands	**2,398**	1,616
Other Europe	**440**	449
Corporate Center	**2**	3
Ahold group	**8,172**	7,413

Additional segment information

Segment results do not include significant non-cash items other than depreciation, amortization, write-downs, and impairment losses and reversals. For more information on write-downs of intangible assets under development, see *Note 13*.

6 Segment reporting (continued)

Segment information joint ventures – Other retail (ICA and JMR)

The information presented below with respect to ICA and JMR (on a 100% basis) represents amounts that are not consolidated in the Company's financial statements since the investments in ICA and JMR are accounted for under the equity method, as described in *Notes 3 and 14*.

€ million	**2012**	2011
Net sales	**14,420**	13,737
Operating income	**439**	430
Net income	**128**	236
Additions to property, plant and equipment, investment property, and intangible assets	**274**	372
Depreciation and amortization	**274**	267
Impairment losses net of reversals	**25**	7
Non-current assets	**4,155**	3,962
Current assets	**2,345**	2,360
Non-current liabilities	**1,285**	1,092
Current liabilities	**3,563**	3,492

7 Net sales

€ million	**2012**	2011
Sales to retail customers	**29,579**	27,480
Sales to franchisees and franchise fees	**2,324**	2,228
Online sales	**830**	456
Other sales	**108**	107
Net sales	**32,841**	30,271

8 Expenses by nature

The aggregate of cost of sales and operating expenses is specified by nature as follows:

€ million	2012	2011
Cost of product	**23,181**	21,285
Employee benefit expenses	**4,461**	4,001
Other operational expenses	**2,538**	2,367
Depreciation and amortization	**821**	772
Write-down of intangible assets under development *(Note 13)*	**92**	–
Rent (income) expense – net	**527**	486
Impairment losses and reversals – net	**55**	25
Gains on the sale of assets – net	**(21)**	(12)
Total expenses	**31,654**	28,924

9 Net financial expenses

€ million	2012	2011
Interest income	**10**	20
Interest expense	**(236)**	(245)
Gains (losses) on foreign exchange	**(10)**	(7)
Fair value gains on financial instruments	**16**	20
Other	**(7)**	(104)
Other financial expenses	**(1)**	(91)
Net financial expenses	**(227)**	(316)

Interest income mainly corresponds to interest earned on cash and cash equivalents and short-term cash deposits.

Interest expense primarily relates to financial liabilities measured at amortized cost (mainly loans, finance lease liabilities, financing obligations and cumulative preferred financing shares) and interest accretions to provisions. The reduction primarily relates to debt repayments (EUR 407 million notes) done in 2012, see *Note 21*.

The gains (losses) on foreign exchange in both 2012 and 2011 mainly result from the foreign exchange translation of the GBP 500 million notes and from settlement of forward contracts done in 2012. Foreign exchange results on financial assets and liabilities, including amounts released from the cash flow hedging reserve, are presented as part of net financial expense, within gains (losses) on foreign exchange. Foreign exchange results arising from the purchase of goods for sale or goods and services consumed in Ahold's operations are included in cost of sales or in the appropriate element of operating expenses, respectively. In 2012 the Company incurred a net exchange result (including impact of foreign exchange hedging instruments) of €2 million in operating income (2011: €1 million).

The fair value gains on financial instruments primarily resulted from the derivatives related to the GBP 500 million notes (an interest rate and a cross currency swap), which do not qualify for hedge accounting treatment, and were mainly caused by the US dollar interest rate and exchange rate movements. For more information on financial instruments, see *Note 30*.

Other financial expenses in 2011 primarily included a loss of €92 million, as a result of a financial guarantee provision, related to the estimated impact of the legal judgment rendered in connection with Stop & Shop Bradlees' lease litigation with Vornado. For more information, see *Note 34*.

10 Income taxes

Income taxes on continuing operations

The following table specifies the current and deferred tax components of income taxes on continuing operations in the income statement:

€ million	2012	2011
Current income taxes		
Domestic taxes (the Netherlands)	**(76)**	(111)
Foreign taxes		
United States	**(14)**	42
Europe – Other	**(22)**	(11)
Total current tax expense	**(112)**	(80)
Deferred income taxes		
Domestic taxes (the Netherlands)	**(58)**	(33)
Foreign taxes		
United States	**(39)**	(37)
Europe – Other	**(2)**	10
Total deferred tax expense	**(99)**	(60)
Total income taxes on continuing operations	**(211)**	(140)

Effective income tax rate on continuing operations

Ahold's effective tax rate in the income statement differed from the statutory income tax rate of the Netherlands of 25.0%. The following table reconciles the statutory income tax rate with the effective income tax rate in the income statement:

	2012		2011	
	€ million	%	€ million	%
Income before income taxes	**960**		1,031	
Income tax expense at statutory tax rates	**(240)**	**25.0%**	(258)	25.0%
Adjustments to arrive at effective income tax rates:				
Rate differential (local rates versus the statutory rate of the Netherlands)	**(19)**	**2.0%**	(47)	4.6%
Deferred tax income related to recognition of deferred tax assets-net	**5**	**(0.5)%**	21	(2.0)%
Reserves, (non-) deductibles and discrete items	**43**	**(4.5)%**	144	(14.0)%
Total income taxes	**(211)**	**22.0%**	(140)	13.6%

"Rate differential" indicates the effect of Ahold's taxable income being generated and taxed in jurisdictions where tax rates differ from the statutory tax rate in the Netherlands. "Reserves, (non-) deductibles and discrete items" include one-time events.

During 2011, a tax benefit of €109 million was recognized, resulting from a release of an income tax contingency reserve related to financing transactions that occurred prior to 2004.

10 Income taxes (continued)

Income taxes on discontinued operations

Current and deferred income tax related to discontinued operations amounted to nil in 2012 and a benefit of €7 million in 2011 and has been included within the result from discontinued operations. The 2012 current and deferred income tax on discontinued operations included a €2 million expense related to the financial obligations under various lease guarantees that the Company had previously provided to landlords of its former BI-LO / Bruno's subsidiaries and a €2 million benefit related to Tops. For further information, see *Notes 5 and 34*.

Deferred income tax

The significant components and annual movements of deferred income tax assets and liabilities as of December 30, 2012, and January 1, 2012, (including discontinued operations) are as follows:

€ million	January 2, 2011	Recognized in income statement	Other	January 1, 2012	**Recognized in income statement**	**Other**	**December 30, 2012**
Leases and financings	222	8	5	235	3	(1)	**237**
Pensions and other post-employment benefits	46	(30)	–	16	–	(16)	**–**
Provisions	131	(4)	7	134	(20)	–	**114**
Derivatives and loans	7	(2)	11	16	(4)	12	**24**
Interest	35	2	1	38	20	(1)	**57**
Other	52	30	2	84	3	(9)	**78**
Total gross deductible temporary differences	493	4	26	523	2	(15)	**510**
Unrecognized deductible temporary differences	(20)	(30)	(1)	(51)	(5)	–	**(56)**
Total recognized deductible temporary differences	473	(26)	25	472	(3)	(15)	**454**
Tax losses and tax credits	572	(273)	17	316	(56)	(81)	**179**
Unrecognized tax losses and tax credits	(459)	324	(4)	(139)	4	91	**(44)**
Total recognized tax losses and tax credits	113	51	13	177	(52)	10	**135**
Total net deferred tax asset position	586	25	38	649	(55)	(5)	**589**
Pensions and other post-employment benefits	–	–	–	–	(62)	14	**(48)**
Property, plant and equipment and intangible assets	(245)	(81)	(10)	(336)	18	(46)	**(364)**
Inventories	(103)	(6)	(3)	(112)	(1)	2	**(111)**
Other	(5)	–	(1)	(6)	1	–	**(5)**
Total deferred tax liabilities	(353)	(87)	(14)	(454)	(44)	(30)	**(528)**
Net deferred tax assets	233	(62)	24	195	(99)	(35)	**61**

The column "Other" in the table above includes amounts recorded in equity, the effects of acquisitions, divestments and exchange rate differences, as well as reclassifications between deferred tax components and the application of tax losses and tax credits against current year income tax payables.

10 Income taxes (continued)

Deferred income tax assets and liabilities are offset on the balance sheet when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to income taxes levied by the same fiscal authority. The deferred tax assets and liabilities are presented as non-current assets and liabilities on the balance sheet as follows:

€ million	December 30, 2012	January 1, 2012
Deferred tax assets	**353**	394
Deferred tax liabilities	**(292)**	(199)
Net deferred tax assets	**61**	195

As of December 30, 2012, Ahold had operating and capital loss carryforwards of a total nominal amount of €1,346 million, mainly expiring between 2013 and 2031 (January 1, 2012: €2,771 million). The following table specifies the years in which Ahold's operating and capital loss carryforwards, and tax credits are scheduled to expire:

€ million	2013	2014	2015	2016	2017	2018-2022	2023-2027	After 2027	Does not expire	Total
Operating and capital losses (nominal value)	6	10	40	12	30	280	561	400	7	**1,346**
Operating and capital losses (tax value)	1	2	8	2	9	53	30	23	2	**130**
Tax credits	12	7	6	4	4	5	1	0	10	**49**
Tax losses and tax credits	13	9	14	6	13	58	31	23	12	**179**

Operating and capital loss carryforwards related to one jurisdiction may not be used to offset income taxes in other jurisdictions. Of the loss carryforwards, €1,138 million relates to U.S. state taxes, for which a weighted average tax rate of 5.45% applies.

The majority of the above mentioned deferred tax assets relate to tax jurisdictions in which Ahold has suffered a tax loss in the current or a preceding period. Significant judgment is required in determining whether deferred tax assets are realizable. Ahold determines this on the basis of expected taxable profits arising from the reversal of recognized deferred tax liabilities and on the basis of budgets, cash flow forecasts and impairment models. Where utilization is not considered probable, deferred tax assets are not recognized.

Income taxes in equity

Current and deferred income taxes recognized in and transferred from equity in 2012 and 2011 are as follows:

€ million	2012	2011
Share-based compensation	**4**	(3)
Cash flow hedges	**11**	11
Currency translation differences in foreign interests	**–**	1
Total	**15**	9

11 Property, plant and equipment

€ million	Buildings and land Stores	Buildings and land Other	Furnishings, machinery and equipment	Other	Under construction	Total
As of January 2, 2011						
At cost	6,471	555	3,716	86	165	10,993
Accumulated depreciation and impairment losses	(2,417)	(192)	(2,510)	(47)	–	(5,166)
Carrying amount	**4,054**	**363**	**1,206**	**39**	**165**	**5,827**
Year ended January 1, 2012						
Additions	145	6	110	10	423	694
Transfers from under construction	190	5	227	2	(424)	–
Acquisitions through business combinations	32	–	2	–	–	34
Depreciation	(318)	(20)	(337)	(7)	–	(682)
Impairment losses	(21)	–	(7)	–	–	(28)
Impairment reversals	4	–	1	–	–	5
Assets classified from / (to) held for sale or sold	1	3	1	–	–	5
Other movements	(10)	–	1	–	6	(3)
Exchange rate differences	99	3	25	1	4	132
Closing carrying amount	**4,176**	**360**	**1,229**	**45**	**174**	**5,984**
As of January 1, 2012						
At cost	6,829	567	3,918	95	174	11,583
Accumulated depreciation and impairment losses	(2,653)	(207)	(2,689)	(50)	–	(5,599)
Carrying amount	**4,176**	**360**	**1,229**	**45**	**174**	**5,984**
Year ended December 30, 2012						
Additions	56	8	98	21	650	833
Transfers from under construction	300	24	293	2	(619)	–
Acquisitions through business combinations	99	1	8	–	–	108
Depreciation	(351)	(21)	(348)	(9)	–	(729)
Impairment losses	(38)	–	(10)	(1)	–	(49)
Impairment reversals	–	–	1	–	–	1
Assets classified from / (to) held for sale or sold	(3)	–	(3)	–	–	(6)
Other movements	(5)	(6)	(1)	–	(1)	(13)
Exchange rate differences	(69)	(1)	(18)	(1)	(2)	(91)
Closing carrying amount	**4,165**	**365**	**1,249**	**57**	**202**	**6,038**
As of December 30, 2012						
At cost	7,067	563	4,080	113	202	12,025
Accumulated depreciation and impairment losses	(2,902)	(198)	(2,831)	(56)	–	(5,987)
Carrying amount	**4,165**	**365**	**1,249**	**57**	**202**	**6,038**

11 Property, plant and equipment (continued)

Buildings and land includes improvements to these assets. "Other" buildings and land mainly includes distribution centers. "Other" property, plant and equipment mainly consists of trucks, trailers and other vehicles. Assets under construction mainly consists of stores.

In 2012, Ahold recognized impairment losses of €49 million. These were related to Ahold USA (€31 million), Other Europe (€17 million) and the Netherlands (€1 million). The carrying amount of the affected assets exceeded the higher of their value in use and fair value less costs to sell. The value-in-use method involves estimating future cash flows. The present value of estimated future cash flows has been calculated using pre-tax discount rates ranging between 7.0% and 12.1% (2011: 7.6%-10.5%). Fair value represents the price at which a property could be sold to a knowledgeable, willing party, and has generally been determined based on internal appraisals, using discounted cash flow projections.

The additions to property, plant and equipment include capitalized borrowing costs of €2 million (2011: €2 million). Generally, the capitalization rate used to determine the amount of capitalized borrowing costs is a weighted average of the interest rate applicable to the respective operating companies. This rate ranged between 4.1% and 9.2% (2011: 4.6%-7.6%).

Other movements mainly include transfers to investment property and from lease-related intangible assets.

The carrying amount of land and buildings includes an amount related to assets held under finance leases and financings of €881 million and €182 million (January 1, 2012: €850 million and €196 million), respectively. In addition, the carrying amount of machinery and equipment includes an amount of €2 million (January 1, 2012: €5 million) relating to assets held under finance leases. Ahold does not have legal title to these assets. Company-owned property, plant and equipment with a carrying amount of €64 million (January 1, 2012: €67 million) has been pledged as security for liabilities, mainly for loans.

12 Investment property

€ million	2012	2011
At the beginning of the year		
At cost	**870**	809
Accumulated depreciation and impairment losses	**(277)**	(227)
Carrying amount	**593**	582
Additions	**18**	27
Depreciation	**(24)**	(23)
Impairment losses	**(7)**	(1)
Assets classified from / (to) held for sale or sold	**(32)**	(7)
Transfers from property, plant and equipment	**24**	3
Exchange rate differences	**(7)**	12
Closing carrying amount	**565**	593
At the end of the year		
At cost	**876**	870
Accumulated depreciation and impairment losses	**(311)**	(277)
Carrying amount	**565**	593

12 Investment property (continued)

A significant portion of Ahold's investment property is comprised of shopping centers containing both an Ahold store and third-party retail units. The third-party retail units generate rental income, but are primarily of strategic importance to Ahold in its retail operations. Ahold recognizes the part of a shopping center leased to a third-party retailer as investment property, unless it represents an insignificant portion of the property.

In 2012, Ahold recognized impairment losses of €7 million. These were related to Ahold USA (€5 million) and Other Europe (€2 million).

The carrying amount of investment property includes an amount related to assets held under finance leases and financings of €38 million and €50 million (January 1, 2012: €40 million and €53 million), respectively. Ahold does not have legal title to these assets. Company-owned investment property with a carrying amount of €66 million (January 1, 2012: €70 million) has been pledged as security for liabilities, mainly for loans.

The fair value of investment property as of December 30, 2012 amounted to approximately €757 million (January 1, 2012: €835 million). Fair value represents the price at which a property could be sold to a knowledgeable, willing party, and has generally been determined based on internal appraisals, using discounted cash flow projections. For mixed use properties and properties held for strategic purposes, Ahold cannot determine the fair value of the investment property reliably. In such cases, the fair value is assumed to be equal to the carrying amount.

Rental income from investment property included in the income statement in 2012 amounted to €69 million (2011: €72 million). Direct operating expenses (including repairs and maintenance but excluding depreciation expense) arising from rental-income-generating and non-rent-generating investment property in 2012 amounted to €36 million (2011: €30 million).

13 Intangible assets

€ million	Goodwill	Lease-related intangibles	Software	Customer relationships	Brand names	Other	Under development	Total
As of January 2, 2011								
At cost	376	240	509	48	–	151	98	1,422
Accumulated amortization and impairment losses	(3)	(129)	(437)	(35)	–	(56)	–	(660)
Carrying amount	**373**	**111**	**72**	**13**	**–**	**95**	**98**	**762**
Year ended January 1, 2012								
Additions	–	1	8	–	–	6	85	100
Transfers from under development	–	–	12	–	–	5	(17)	–
Acquisitions through business combinations	24	1	–	–	–	1	–	26
Amortization	–	(10)	(44)	(3)	–	(10)	–	(67)
Impairment losses	–	(1)	–	–	–	–	–	(1)
Other movements	–	(1)	–	–	–	1	–	–
Exchange rate differences	7	3	–	–	–	2	4	16
Closing carrying amount	**404**	**104**	**48**	**10**	**–**	**100**	**170**	**836**
As of January 1, 2012								
At cost	407	248	545	49	–	166	170	1,585
Accumulated amortization and impairment losses	(3)	(144)	(497)	(39)	–	(66)	–	(749)
Carrying amount	**404**	**104**	**48**	**10**	**–**	**100**	**170**	**836**
Year ended December 30, 2012								
Additions	–	8	9	–	–	5	109	131
Transfers from under development	–	–	124	–	–	6	(130)	–
Acquisitions through business combinations	372	8	43	73	86	204	–	786
Amortization	–	(10)	(41)	(6)	–	(11)	–	(68)
Write-downs	–	–	–	–	–	–	(92)	(92)
Assets classified from / (to) held for sale or sold	–	–	–	–	–	(1)	–	(1)
Other movements	–	(11)	–	–	–	–	–	(11)
Exchange rate differences	(7)	(1)	(1)	–	–	(1)	(2)	(12)
Closing carrying amount	**769**	**98**	**182**	**77**	**86**	**302**	**55**	**1,569**
As of December 30, 2012								
At cost	772	254	714	121	86	379	55	2,381
Accumulated amortization and impairment losses	(3)	(156)	(532)	(44)	–	(77)	–	(812)
Carrying amount	**769**	**98**	**182**	**77**	**86**	**302**	**55**	**1,569**

Goodwill recognized on acquisitions in 2012 relates mainly to the acquisition of bol.com, Genuardi's Family Markets stores, and C1000 and Jumbo stores (see *Note 4* for more details). Goodwill recognized on acquisitions in 2011 relates mainly to the acquisitions of Norkus Foodtown supermarket stores and King Kullen supermarket stores at Ahold USA.

13 Intangible assets (continued)

Goodwill acquired in business combinations is allocated, at acquisition, to the Cash-Generating Units (CGUs) or groups of CGUs expected to benefit from that business combination.

The carrying amounts of goodwill allocated to CGUs within Ahold's reportable segments are as follows:

€ million		December 30, 2012	January 1, 2012
Reportable segment	**Cash-generating unit**		
Ahold USA	Stop & Shop New England	**12**	12
	Stop & Shop New York Metro	**23**	23
	Giant Carlisle	**217**	164
	Giant Landover	**7**	–
	Peapod	**20**	20
The Netherlands	Albert Heijn[1]	**255**	152
	bol.com[1]	**201**	–
	Etos	**7**	6
	Gall & Gall	**1**	1
Other Europe	Czech Republic	**26**	26
Ahold group		**769**	404

1 Of the €248 million of goodwill that resulted from the acquisition of bol.com, €47 million has been allocated to Albert Heijn.

CGUs to which goodwill has been allocated are tested for impairment annually or more frequently if there are indications that a particular CGU might be impaired. The recoverable amount of each CGU was determined based on value-in-use calculations. Value-in-use was determined using discounted cash flow projections that generally cover a period of five or 10 years and are based on the financial plans approved by the Company's management. The key assumptions for the value-in-use calculations are those regarding discount rates, growth rates and operating margins. The post-tax rates used to discount the projected cash flows reflect specific risks relating to relevant CGUs and are 4.7% for Ahold USA, 5.2% for the Netherlands and 8.2% for the Czech Republic. The sensitivity analysis, with respect to changes in the discount rates, indicated that the recoverable amounts of the CGUs would still be in excess of the carrying amounts with sufficient and reasonable headroom if the discount rates were higher by 2%.The growth rates and operating margins used to estimate future performance are based on past performance and experience of growth rates and operating margins achievable in Ahold's main markets. Growth rates used to extrapolate cash flows beyond the explicit forecast period are set such that the return on invested capital never exceeds the weighted average cost of capital of the CGUs.

Lease-related intangible assets consist primarily of favorable operating lease contracts acquired in business acquisitions. Customer relationships consist primarily of pharmacy scripts and customer lists recognized through the acquisition of bol.com in 2012. Brand names include "bol.com." Ahold expects bol.com will play an important role in its business strategy and believes there is currently no foreseeable limit to the period over which the brand is expected to generate net cash inflows. Therefore the brand is assessed to have an indefinite useful life. The asset is tested for impairment in accordance with the policies as stated in *Note 3*. "Other" mainly includes intangible assets related to location development rights, deed restrictions and similar assets. Included in "Other" is an intangible asset allocated to Stop & Shop New England with an indefinite useful life and a carrying value of €26 million (2011: €26 million). The useful life of this asset is assessed to be indefinite since it relates to the land portion of an owned location. Also included in 2012 is the prepaid purchase consideration for the transfer of C1000 stores (€204 million). The amount will be reallocated to the appropriate intangible assets (mainly goodwill) as agreements are reached with the franchisees. Intangible assets under development relate mainly to software development.

The additions to intangible assets under development include capitalized borrowing costs of €5 million (2011: €3 million). The capitalization rate used was the same as for property, plant and equipment (see *Note 11*). In 2012, €92 million has been recognized as write-downs of intangible assets under development. These were related to Ahold USA (€88 million) and the Netherlands (€4 million).

14 Investments in joint ventures

Ahold owns 60% of the outstanding common shares of ICA AB (ICA), a food retailer operating in Sweden, Norway and the Baltic states. The 60% shareholding does not entitle Ahold to unilateral decision-making authority over ICA due to the shareholders' agreement with the joint venture partner, which provides that strategic, financial and operational decisions will be made only on the basis of mutual consent. On the basis of this shareholders' agreement, the Company concluded that it has no control over ICA and, consequently, does not consolidate ICA.

Ahold has a 49% stake in JMR – Gestão de Empresas de Retalho, SGPS. S.A. (JMR). JMR operates food retail stores in Portugal under the brand name Pingo Doce.

The Company's share in income of ICA and JMR were €73 million (2011: €122 million) and €5 million (2011: €16 million), respectively. In 2012, ICA's net income was negatively impacted by a tax expense of €150 million (Ahold's share: €90 million) related to the denial by the Swedish Tax Agency of certain interest deductions made in 2004-2008. For more details on ICA's tax claim, see *Note 34*. For condensed financial information on ICA and JMR, see *Note 6*.

Ahold is also a partner in various smaller joint ventures. Changes in investments in joint ventures are as follows:

€ million	2012	2011
Beginning of the year	**1,087**	1,072
Share in income of joint ventures	**81**	141
Dividend	**(157)**	(130)
Share of other comprehensive loss	**(4)**	(3)
Investments classified from / (to) held for sale or sold	**(3)**	–
Other changes in equity of joint ventures	**12**	2
Exchange rate differences	**31**	5
End of the year	**1,047**	1,087

15 Other non-current financial assets

€ million	December 30, 2012	January 1, 2012
Derivative financial instruments	**280**	239
Defined benefit asset	**662**	498
Reinsurance assets	**68**	64
Loans receivable	**35**	32
Other	**14**	26
Total other non-current financial assets	**1,059**	859

For more information on derivative financial instruments and fair values, see *Note 30*.

The defined benefit asset represents defined benefit pension plans for which the present value of the defined benefit obligations, less the fair value of plan assets, adjusted for unrecognized actuarial gains or losses, results in a net asset. For more information on defined benefit plans, see *Note 23*.

Of the non-current loans receivable, €12 million matures between one and five years and €23 million after five years (January 1, 2012: €8 million between one and five years and €24 million after five years). The current portion of loans receivable of €3 million is included in other receivables (January 1, 2012: €4 million).

Under the self-insurance program, part of the insurance risk is ceded under a reinsurance treaty, which is a pooling arrangement between unrelated companies. At the same time, Ahold assumes a share of the reinsurance treaty risks that is measured by Ahold's participation percentage in the treaty. The participation percentage is the ratio of premium paid by Ahold to the total premium paid by all treaty members. In connection with this pooling arrangement, the Company recognizes reinsurance assets and reinsurance liabilities (see also *Notes 18, 22 and 26*) on its balance sheet. There were no significant gains or losses related to this pooling arrangement during 2012 or 2011.

16 Inventories

€ million	December 30, 2012	January 1, 2012
Finished products and merchandise inventories	1,497	1,468
Raw materials, packaging materials, technical supplies and other	45	41
	1,542	1,509
Valuation allowance	(50)	(43)
Total inventories	1,492	1,466

In 2012, €645 million has been recognized as a write-off of inventories in the income statement (2011: €549 million). The increase was mainly related to Ahold USA (€83 million), primarily as a result of exchange rate differences, inflation and new stores.

17 Receivables

€ million	December 30, 2012	January 1, 2012
Trade receivables	424	385
Vendor allowance receivables	212	214
Other receivables	174	168
	810	767
Provision for impairment	(17)	(16)
Total receivables	793	751

At December 30, 2012, the aging analysis of receivables was as follows:

			Past due			
€ million	Total	Not past due	0–3 months	3–6 months	6–12 months	> 12 months
Trade receivables	424	345	59	8	3	9
Vendor allowance receivables	212	173	35	3	–	1
Other receivables	174	95	54	14	4	7
	810	613	148	25	7	17
Provision for impairment	(17)	–	(3)	(1)	(2)	(11)
Total receivables	793	613	145	24	5	6

At January 1, 2012, the aging analysis of receivables was as follows:

			Past due			
€ million	Total	Not past due	0–3 months	3–6 months	6–12 months	> 12 months
Trade receivables	385	326	48	2	3	6
Vendor allowance receivables	214	166	45	1	1	1
Other receivables	168	100	40	13	7	8
	767	592	133	16	11	15
Provision for impairment	(16)	(1)	(1)	(1)	(2)	(11)
Total receivables	751	591	132	15	9	4

17 Receivables (continued)

The concentration of credit risk with respect to receivables is limited, as the Company's customer base and vendor base are large and unrelated. The Company does not hold any significant collateral on its receivables. Management believes there is no further credit risk provision required in excess of the normal individual and collective impairment, based on the aging analysis performed as of December 30, 2012. For more information about credit risk, see *Note 30*.

The changes in the provision for impairment were as follows:

€ million	**2012**	2011
Beginning of the year	**(16)**	(18)
Additions	**(14)**	(15)
Used	**7**	7
Released to income	**6**	10
End of the year	**(17)**	(16)

18 Other current financial assets

€ million	**December 30, 2012**	January 1, 2012
Short-term deposits	**–**	154
Reinsurance assets – current portion (see *Note 15*)	**41**	39
Other	**2**	143
Total other current financial assets	**43**	336

As per January 1, 2012, short-term deposits included cash time deposits. These deposits were fully collateralized, mainly by equity securities and government and sovereign bonds.

Other mainly consists of the current portion of the derivative financial instruments. As of January 1, 2012, €141 million (cash flow hedges) related to the EUR 600 million notes paid in March 2012.

For more information on financial instruments and fair values, see *Note 30*.

19 Cash and cash equivalents

€ million	**December 30, 2012**	January 1, 2012
Cash in banks and cash equivalents	**1,547**	2,090
Cash on hand	**339**	348
Total cash and cash equivalents	**1,886**	2,438

Of the cash and cash equivalents as of December 30, 2012, €22 million was restricted (January 1, 2012: €31 million). This primarily consisted of cash held for insurance purposes for U.S. workers' compensation and general liability programs, and cash held in escrow accounts mainly related to construction activities.

Ahold's banking arrangements allow the Company to fund outstanding checks when presented to the bank for payment. This cash management practice may result in a net cash book overdraft position, which occurs when the total issued checks exceed available cash balances within the Company's cash concentration structure. Such book overdrafts are classified in accounts payable and amounted to €170 million and €181 million as of December 30, 2012, and January 1, 2012, respectively. No right to offset with other bank balances exists for these book overdraft positions.

20 Equity attributable to common shareholders

Shares and share capital

Authorized share capital is comprised of the following classes of shares as of December 30, 2012:

	€ million
Common shares (1,700,000,000 of €0.30 par value each)	**510**
Cumulative preferred shares (1,250,000 of €500 par value each)	**625**
Total authorized share capital	**1,135**

In addition, Ahold has cumulative preferred financing shares outstanding. These cumulative preferred financing shares are considered debt under IFRSs until the date that Ahold receives irrevocable notification from a holder of cumulative preferred financing shares to convert these shares into common shares. Upon this notification, the cumulative preferred financing shares are classified as a separate class of equity since they no longer meet the definition of a liability. For disclosures regarding Ahold's cumulative preferred financing shares, see *Note 22*.

Common shares and additional paid-in capital

Changes in the number of common shares and the number of treasury shares were as follows:

	Number of common shares issued and fully paid (x 1,000)	Number of treasury shares (x 1,000)	Number of common shares outstanding (x 1,000)
Balance as of January 2, 2011	**1,191,888**	**46,743**	**1,145,145**
Share buyback	–	91,624	(91,624)
Cancellation of treasury shares	(91,000)	(91,000)	–
Share-based payments	–	(6,284)	6,284
Balance as of January 1, 2012	**1,100,888**	**41,083**	**1,059,805**
Share buyback	–	26,832	(26,832)
Cancellation of treasury shares	(39,900)	(39,900)	–
Share-based payments	–	(5,534)	5,534
Balance as of December 30, 2012	**1,060,988**	**22,481**	**1,038,507**

Dividends on common shares

On April 17, 2012, the General Meeting of Shareholders approved the dividend over 2011 of €0.40 per common share (€415 million in the aggregate). The dividend was paid on May 2, 2012. The Corporate Executive Board, with the approval of the Supervisory Board, proposes that a dividend of €0.44 per common share be paid in 2013 with respect to 2012. This dividend is subject to approval by the General Meeting of Shareholders and has not been included as a liability on the consolidated balance sheet as of December 30, 2012. The payment of this dividend will not have income tax consequences for the Company.

Share buyback

On March 19, 2012, Ahold completed its €1 billion share buyback program announced on March 3, 2011. Under this program, 106,814,343 of the Company's own shares were repurchased and delivered in 2011 and 2012 (2011: 79,982,258 and 2012: 26,832,085) for a total consideration of €1 billion (2011: €723 million and 2012: €277 million), at an average price of €9.36 (2011: €9.04 and 2012: €10.33).

On February 24, 2011, Ahold completed its €500 million share buyback program announced on March 4, 2010. The total number of shares repurchased under the program over the period from April 6, 2010, through February 24, 2011, was 50,359,330 common shares (2011: 11,641,727 and 2010: 38,717,603), for a total consideration of €500 million (2011: €114 million and 2010: €386 million), at an average price of €9.93 (2011: €9.80 and 2010: €9.96).

Of the total shares repurchased, 39,900,000 were cancelled on July 9, 2012, 30,000,000 were cancelled on June 7, 2011, and 61,000,000 on December 23, 2011.

20 Equity attributable to common shareholders (continued)

Share-based payments

Share-based payments recognized in equity in the amount of €53 million (2011: €31 million) relate to the 2012 GRO share-based compensation expenses of €40 million (2011: €29 million), see *Note 32*; the stock options exercised of €9 million (2011: €5 million); and the current and deferred income taxes recognized in and transferred from equity relating to share-based compensation of €4 million (2011: negative €3 million), see *Note 10*.

Cumulative preferred shares

The Company's Articles of Association provide for the possible issuance of cumulative preferred shares. The Company believes that its ability to issue this class of shares could prevent, or at least delay, an attempt by a potential bidder to make a hostile takeover bid. In this respect, but also in other circumstances, this ability may safeguard the interests of the Company and all stakeholders in the Company and resist influences that might conflict with those interests by affecting the Company's continuity, independence or identity. No cumulative preferred shares were outstanding as of December 30, 2012, or during 2012 and 2011.

In March 1989, the Company entered into an agreement with Stichting Ahold Continuïteit (SAC) as amended and restated in April 1994, March 1997, December 2001, and December 2003 (the Option Agreement). Pursuant to the Option Agreement, SAC was granted an option for no consideration to acquire from the Company, from time to time until December 2016, cumulative preferred shares up to a total par value that is equal to the total par value of all issued and outstanding shares of Ahold's share capital, excluding cumulative preferred shares, at the time of exercising the option. In case the authorized share capital of the Company is amended during the term of the option, the Option Agreement provides for a corresponding change of the total par value of cumulative preferred shares under option. The holders of the cumulative preferred shares are entitled to 1,666.67 votes per share and a cumulative dividend expressed as a percentage of the amount called-up and paid-in to purchase the cumulative preferred shares. The percentage to be applied is the sum of (1) the average basic refinancing transaction interest rate as set by the European Central Bank – measured by the number of days during which that rate was in force in the fiscal year over which the dividend is paid – plus 2.1%, and (2) the average interest surcharge rate – measured by the number of days during which that rate was in force in the fiscal year over which the dividend is paid – that would be charged by the largest credit institution in the Netherlands (based on balance sheet total as at the close of the fiscal year immediately preceding the fiscal year over which the dividend is paid). The minimum percentage to be applied is 5.75%. Subject to limited exceptions, any potential transfer of cumulative preferred shares requires the approval of the Corporate Executive Board. Cumulative preferred shares can only be issued in a registered form. The Company may stipulate that only 25% of the par value will be paid upon subscription to cumulative preferred shares until payment in full is later required by the Company. SAC would then only be entitled to a market-based interest return on its investment.

SAC is a foundation organized under the laws of the Netherlands. Its statutory purpose is to safeguard the interests of the Company and all stakeholders in the Company and to resist, to the best of its ability, influences that might conflict with those interests by affecting the Company's continuity, independence or identity. In the case of liquidation, the SAC board of directors will decide on the use of any remaining residual assets. The SAC board of directors has three members, who are appointed by the board of SAC itself.

Legal reserves

In accordance with the Netherlands Civil Code and statutory requirements in other countries, legal reserves have to be established in certain circumstances. Legal reserves are not available for distribution to the Company's shareholders. The currency translation reserve, cash flow hedging reserve and other reserves include non-distributable amounts. From the total equity as per December 30, 2012, of €5,995 million, an amount of €642 million is non-distributable (January 1, 2012: €732 million out of total equity of €5,877 million). See *Note 6* to the parent company financial statements for more detail on the legal reserves.

21 Loans and credit facilities

The notes in the table below were issued by Ahold or one of its subsidiaries, the latter of which are guaranteed by Ahold unless otherwise noted. All related swap contracts have the same maturity as the underlying debt unless otherwise noted.

€ million	Current portion within 1 year	Non-current portion		Total December 30, 2012	Current portion within 1 year	Non-current portion		Total January 1, 2012
		Between 1 to 5 years	After 5 years			Between 1 to 5 years	After 5 years	
Notional redemption amounts								
EUR 600 notes 5.875%, due March 2012[1]	–	–	–	–	407	–	–	407
GBP 500 notes 6.50%, due March 2017[2]	–	290	–	290	–	–	280	280
USD 94 indebtedness 7.82%, due January 2020[3]	6	29	13	48	5	27	22	54
USD 71 indebtedness 8.62%, due January 2025	–	–	54	54	–	–	55	55
USD 500 notes 6.875%, due May 2029	–	–	378	378	–	–	386	386
JPY 33,000 notes LIBOR plus 1.5%, due May 2031[4]	–	–	290	290	–	–	331	331
Deferred financing costs	–	(1)	(3)	(4)	–	(2)	(2)	(4)
Total notes	6	318	732	1,056	412	25	1,072	1,509
Other loans	–	2	3	5	1	2	–	3
Financing obligations[5]	13	63	305	381	13	65	321	399
Mortgages payable[6]	3	2	6	11	3	4	–	7
Total loans	22	385	1,046	1,453	429	96	1,393	1,918

1 Notes were swapped to the U.S. dollar at an interest rate of 6.835%. During 2005, Ahold bought back a part of the notes with a principal amount of €193 million and terminated a notional portion of the corresponding swap in the same amount.

2 During 2005 Ahold bought back GBP 250 million of the notes. The remaining notional redemption amount of GBP 250 million (€ 306 million) has been netted with €16 million as per December 30, 2012, (January 1, 2012: €20 million) representing an amount, which is amortized over the remaining terms of the notes, that relates to a hedging instrument that stopped qualifying for fair value hedge accounting. The remaining notional amount of GBP 250 million was, through two swap contracts, swapped to $356 million and carries a six-month floating U.S. dollar interest rate (see *Note 30* for additional information). Ahold is required under these swap contracts to redeem the U.S. dollar notional amount through semi-annual installments that commenced in September 2004. $232 million has been paid down as of December 30, 2012.

3 As of December 30, 2012, $31 million has been repaid since inception.

4 Notes were swapped to €299 million at an interest rate of 7.065% (see *Note 30* for additional information related to the JPY swap).

5 The average interest rate for the financing obligations amounted to 7.9% in 2012 (2011: 7.9%).

6 Mortgages payable are collateralized by buildings and land. The average interest rate for these mortgages payable amounted to 7.2% in 2012 (2011: 7.4%).

The fair values of financial instruments, corresponding derivatives, and the foreign exchange and interest rate risk management policies applied by Ahold are disclosed in *Note 30*.

The Company has a Euro Medium Term Note (EMTN) program that had an aggregate of €596 million of outstanding notes as of December 30, 2012. The notes issued under the program include the remaining outstanding balances of GBP 500 million and JPY 33,000 million notes, maturing in 2017 and 2031, respectively. The notes issued under the EMTN program contain customary restrictive covenants. During 2012, Ahold was in compliance with these covenants.

Credit facilities

Ahold has access to a €1.2 billion unsecured, committed, multi-currency and syndicated credit facility, which was refinanced in June 2011. In June 2012, we extended its maturity by one year to June 2017 while the facility size will reduce by €186 million in 2016. This credit facility may be used for working capital and for general corporate purposes of the Company and provides for the issuance of letters of credit to an aggregate maximum amount of $550 million (€416 million).

The facility contains customary covenants and is subject to a financial covenant that requires Ahold not to exceed a maximum leverage ratio, as defined in the facility agreement, of 4.0:1.

During 2012, Ahold was in compliance with these covenants, and as of December 30, 2012, there were no outstanding borrowings under the facility other than letters of credit to an aggregate amount of $244 million (€184 million).

Ahold also has access to various uncommitted credit facility lines serving working capital needs that, as of December 30, 2012, totaled €110 million. As of December 30, 2012, €2 million was drawn under these credit facility lines.

22 Other non-current financial liabilities

€ million	December 30, 2012	January 1, 2012
Finance lease liabilities	**1,179**	1,158
Cumulative preferred financing shares	**497**	497
Derivative financial instruments	**175**	89
Reinsurance liabilities	**76**	67
Other	**3**	2
Total other non-current financial liabilities	**1,930**	1,813

For more information on derivative financial instruments and fair values, see *Note 30*.

The Company recognizes reinsurance liabilities on its balance sheet in connection with a pooling arrangement between unrelated companies. For more information, see *Note 15*.

Finance lease liabilities

Finance lease liabilities are payable as follows:

€ million	December 30, 2012			January 1, 2012		
	Future minimum lease payments	Interest portion	Present value of minimum lease payments	Future minimum lease payments	Interest portion	Present value of minimum lease payments
Within one year	**172**	**97**	**75**	165	98	67
Between one and five years	**665**	**317**	**348**	643	331	312
After five years	**1,145**	**314**	**831**	1,195	349	846
Total	**1,982**	**728**	**1,254**	2,003	778	1,225
Current portion finance lease liabilities (see *Note 26*)			**75**			67
Non-current portion finance lease liabilities			**1,179**			1,158

Finance lease liabilities are principally for buildings. Terms range primarily from 10 to 25 years and include renewal options if it is reasonably certain, at the inception of the lease, that they will be exercised. At the time of entering into finance lease agreements, the commitments are recorded at their present value using the interest rate implicit in the lease, if this is practicable to determine; if not, the operating company-specific interest rate applicable for long-term borrowings is used. As of December 30, 2012, the finance lease liabilities are recorded at their present value at an average interest rate of 8.0% (January 1, 2012: 8.4%).

Certain store leases provide for contingent additional rentals based on a percentage of sales and consumer price indices. Substantially all of the store leases have renewal options for additional terms. None of Ahold's leases impose restrictions on Ahold's ability to pay dividends, incur additional debt or enter into additional leasing arrangements.

During 2012, interest expense on finance lease liabilities was €102 million (2011: €94 million), of which €2 million related to discontinued operations (2011: €3 million). Total future minimum sublease income expected to be received under non-cancelable subleases as of December 30, 2012, is €140 million (January 1, 2012: €156 million). The total contingent rent expense recognized during the year on finance leases was €1 million (2011: €1 million).

22 Other non-current financial liabilities (continued)

Cumulative preferred financing shares

	Number of shares (x 1,000)	€ million
Issued cumulative preferred financing shares (€0.30 par value each)	268,415	81
Authorized cumulative preferred financing shares (€0.30 par value each)	477,581	143

€ million	Other non-current financial liabilities
Paid-in capital issued cumulative preferred financing shares	81
Additional paid-in capital cumulative preferred financing shares	416
Balance as of December 30, 2012, and January 1, 2012	**497**

The cumulative preferred financing shares were issued in four tranches. Dividends are paid on each preferred financing share at a percentage (financing dividend percentage) that differs per tranche. When a period of 10 years has lapsed after the issue date of a tranche, and every 10 years thereafter (reset date), the financing dividend percentage is reset. The current financing dividend percentage is 5.93% per year for the shares issued in June 1996, 6.08% per year for the shares issued in August 1998, 3.85% per year for the shares issued in October 2000, and 7.33% per year for the shares issued in December 2003. The nominal value plus additional paid-in capital per tranche is €71 million (June 1996 tranche), €46 million (August 1998 tranche), €320 million (October 2000 tranche) and €60 million (December 2003 tranche); in the aggregate €497 million.

The total number of votes that can be exercised by the cumulative preferred financing shares is approximately 75 million. This represents approximately 7% of the total number of votes that can be cast (this total being calculated as the sum of the outstanding cumulative preferred financing shares and the outstanding common shares).

The cumulative preferred financing shares are convertible into common shares. The conversion conditions have been set so as to avoid any transfer of value from the common shares to the cumulative preferred financing shares. The maximum number of common shares to be received upon conversion of all outstanding cumulative preferred financing shares is approximately 90 million. The conversion features are similar for all tranches. Conversion is allowed for all shares in one tranche held by one investor but not for fractions of tranches held by one investor. Upon conversion, the holders of (depositary receipts of) cumulative preferred financing shares will receive a number of common shares that is calculated by dividing the value of the cumulative preferred financing shares on the day before the conversion date by the average share price of Ahold common shares on the five trading days preceding the notification date, on the notification date, and on the four trading days following the notification date. The value of the cumulative preferred financing shares will be considered, for this purpose, to be equal to the lower of the nominal value plus the additional paid-in capital of the cumulative preferred financing shares (par value) or to the present value of the remaining preferred dividends until the first reset date plus the present value of the par value at the first reset date.

Subject to the approval of the General Meeting of Shareholders, the Company can redeem the cumulative preferred financing shares of a certain tranche, but not fractions of a tranche. Redemption of a tranche is subject to the approval of the holders of depositary receipts of that tranche, unless all (remaining) cumulative preferred financing shares are redeemed. Redemption takes place at the higher of the par value or the present value of the remaining preferred dividends plus the present value of the par value at the reset date.

23 Pensions and other post-employment benefits

Defined benefit plans

Ahold has a number of defined benefit pension plans covering a substantial number of employees, former employees and retirees in the Netherlands and the United States. Generally, the plans are career average or final pay defined benefit plans. In 2008, the Company decided to transition its defined benefit pension plan for active salaried, non-union and certain union employees in the United States to a defined contribution pension plan, as further described below. In addition, Ahold provides life insurance and medical care benefits for certain retired employees meeting age and service requirements at its U.S. subsidiaries, which the Company funds as claims are incurred.

Net assets relating to one plan are not offset against net liabilities of another plan, resulting in the following presentation of the pension and other post-employment benefits on the consolidated balance sheet:

€ million	**December 30, 2012**	January 1, 2012
Defined benefit liabilities	**(110)**	(94)
Defined benefit assets	**662**	498
Total defined benefit plans	**552**	404

The defined benefit assets are part of the other non-current financial assets; for more information, see *Note 15*.

Net defined benefit cost, which is presented in the income statement according to its function as a component of cost of sales, selling expenses, and general and administrative expenses, was as follows:

€ million	**2012**	2011
Current service cost	**76**	73
Interest cost	**195**	182
Expected return on plan assets	**(221)**	(211)
Actuarial losses	**28**	19
Curtailment gain	**(33)**	–
Settlement loss	**121**	–
Total net defined benefit cost	**166**	63

23 Pensions and other post-employment benefits (continued)

The changes in the defined benefit obligations and plan assets in 2012 and 2011 were as follows:

	The Netherlands		United States		Total	
€ million	**2012**	2011	**2012**	2011	**2012**	2011
Defined benefit obligations						
Beginning of the year	**2,155**	2,118	**1,469**	1,297	**3,624**	3,415
Current service cost	**57**	55	**19**	18	**76**	73
Interest cost	**119**	111	**76**	71	**195**	182
Actuarial (gains) losses	**1,250**	(48)	**193**	93	**1,443**	45
Contributions by plan participants	**12**	12	**–**	–	**12**	12
Benefits paid	**(88)**	(93)	**(68)**	(65)	**(156)**	(158)
Curtailment	**(38)**	–	**–**	–	**(38)**	–
Settlement	**–**	–	**(305)**	–	**(305)**	–
Other	**–**	–	**–**	3	**–**	3
Exchange rate differences	**–**	–	**(34)**	52	**(34)**	52
End of the year	**3,467**	2,155	**1,350**	1,469	**4,817**	3,624
Plan assets						
Fair value of assets, beginning of the year	**2,762**	2,476	**1,117**	1,020	**3,879**	3,496
Expected return on plan assets	**146**	141	**75**	70	**221**	211
Actuarial gains (losses)	**236**	109	**32**	(15)	**268**	94
Company contribution	**122**	117	**193**	69	**315**	186
Contributions by plan participants	**12**	12	**–**	–	**12**	12
Benefits paid	**(88)**	(93)	**(68)**	(65)	**(156)**	(158)
Settlement	**–**	–	**(352)**	–	**(352)**	–
Exchange rate differences	**–**	–	**(24)**	38	**(24)**	38
Fair value of assets, end of the year	**3,190**	2,762	**973**	1,117	**4,163**	3,879
Surplus / (deficit)	**(277)**	607	**(377)**	(352)	**(654)**	255
Unrecognized actuarial (gains) losses	**809**	(199)	**398**	349	**1,207**	150
Unrecognized past service cost	**–**	–	**(1)**	(1)	**(1)**	(1)
Net asset / (liability)	**532**	408	**20**	(4)	**552**	404

The total defined benefit obligation of €4,817 million as of December 30, 2012, includes €178 million related to plans that are wholly unfunded. These plans include other benefits (such as life insurance and medical care) and supplemental executive retirement plans.

The assets that Ahold has recognized reflect unrecognized actuarial losses as well as Ahold's unconditional right to use surplus assets for the gradual settlement of the plan liabilities over time until all members have left the plan. Therefore, the defined benefit asset is not realizable immediately as of December 30, 2012.

23 Pensions and other post-employment benefits (continued)

During 2012, the Company amended its defined benefit pension plan in the Netherlands. The plan amendments included, among other changes, raising the retirement age and gradually increasing the amount that participants will contribute in future years. The effect of all amendments was a net curtailment gain of €33 million.

During 2012, the Company has changed its methodology for measuring past service years within the Dutch pension fund. The previous methodology was to calculate past service years based on a participant's accrued benefits, but this has been changed to a methodology that will use the maximum past service years based on a participant's actual date of hire or accrued benefits. The effect of the change on the 2012 year end defined benefit obligation is an increase of €101 million, which has been recognized as a current year actuarial loss.

In 2008, the Company decided to transition its defined benefit pension plan for active salaried, non-union and certain union employees ("eligible employees") in the United States to a defined contribution pension plan. Eligible employees who were at least 50 years of age or had 25 or more years of service as of December 31, 2009, could choose to either stay in the defined benefit plan or transfer to a 401(k) plan. All other eligible employees were transferred to a 401(k) plan. Accrued benefits under the defined benefit plan for employees transferred to a 401(k) plan were frozen for pay and service as of December 31, 2009 (frozen plan). The resulting curtailment gain in 2008 was largely offset by accrued additional (transition) contributions that the Company will make to a 401(k) plan for a period of five years (2010-2014) to employees meeting certain age or service requirements who were transferred to a 401(k) plan. During 2012, the Company settled the frozen accrued benefits of participants who elected to receive a lump sum payout. At that time the Company recognized a settlement loss of €121 million, which consisted of the amortization of the unrecognized actuarial losses attributable to the benefits settled. In addition, the Company also recognized a liability for the remainder of the benefits, which will be settled by the purchase of annuity contracts in 2013.

Cash contributions

From 2012 to 2013, Company contributions are expected to increase from €122 million to €132 million in the Netherlands and decrease from $251 million (€193 million) to $88 million (€66 million) in the United States.

As of year-end 2012, the funding ratio, calculated in accordance with regulatory requirements, of the largest Dutch plan was 114% and the ongoing U.S. pension plan was 118%. Since the frozen plan was terminated effective July 1, 2011, the plan is no longer subject to U.S. funding requirements. However, under plan termination rules Ahold will be required to fully fund the liabilities at the time the assets are distributed to settle the plan. Under the financing agreement with the Dutch pension fund, Ahold can be required to contribute a maximum amount of €150 million over a five-year period if the funding ratio is below 105% (€50 million was paid under this agreement in 2009). The contributions to the U.S. plans in 2012 included additional contributions of $62 million (€48 million) in order to bring funding ratios to minimum required levels and $131 million (€100 million) in partial settlement of the frozen plan.

Actuarial assumptions

The assumptions used in the actuarial calculations of the defined benefit obligations and net defined benefit cost require a large degree of judgment. Actual experience may differ from the assumptions made. The following table provides a summary of the funded status of all defined benefit plans and the experience adjustments (i.e. the part of the actuarial results that is not caused by changes in actuarial assumptions) on defined benefit obligations and plan assets. The experience adjustments for each year relate to the plans included in the balance sheet at the end of that year.

€ million	**2012**	2011	2010	2009	2008
Defined benefit obligations at year end	**(4,817)**	(3,624)	(3,415)	(3,167)	(2,835)
Fair value of plan assets at year end	**4,163**	3,879	3,496	3,089	2,636
Surplus / (deficit)	**(654)**	255	81	(78)	(199)
Experience gains (losses) on defined benefit obligations	**19**	34	(25)	2	(29)
Experience gains (losses) on plan assets	**269**	93	112	157	(785)

23 Pensions and other post-employment benefits (continued)

The assumptions required to calculate the actuarial present value of benefit obligations and net defined benefit costs are determined per plan. The key assumptions are as follows (expressed as weighted averages):

	The Netherlands		United States	
Percent	**2012**	2011	**2012**	2011
Discount rate for obligations	**3.6**	5.4	**4.2**	5.2
Expected return on plan assets	**5.2**	5.9	**6.6**	7.1
Future salary increases	**4.2**	3.9	**5.0**	5.0

The discount rates used to calculate the present value of the obligations are based on the market yields on high-quality corporate bonds (i.e. bonds rated AA) with the same currency and term as the obligations.

The following table shows the effect on the defined benefit obligations and on net defined benefit cost if the discount rate had been 0.5 percentage-points higher or lower as of year-end 2012. Positive amounts represent increases and negative amounts represent decreases in defined benefit obligations and net defined benefit cost:

€ million	The Netherlands	United States	Total
0.5 percentage-point increase			
Defined benefit obligations at year-end 2012	(352)	(82)	(434)
Net defined benefit cost 2013	(31)	5	(26)
0.5 percentage-point decrease			
Defined benefit obligations at year-end 2012	412	92	504
Net defined benefit cost 2013	34	(7)	27

The expected return on plan assets is determined as a weighted-average rate of return based on the current and projected investment portfolio mix of each plan, taking into account the corresponding long-term yields for the separate asset categories, which depend on components such as the risk-free rate of return in real terms, expected inflation and expected risk and liquidity premiums. In addition, actual long-term historical return information is taken into account. The actual return on plan assets in 2012 was 12.8% for the Dutch plans (2011: 9.5%) and 10.2% for the U.S. plans (2011: 5.1%).

The assumed medical cost trend rates used in measuring the defined benefit obligations related to medical care plans were 8.0% in 2012 and 8.5% in 2011, declining to an ultimate trend rate of 5.0% as of 2019. Because of the limited size of Ahold's medical care plans, the impact of a 1.0 percentage-point increase or decrease in assumed medical cost trend rates on the defined benefit obligations and net defined benefit cost would be negligible.

Plan assets

The pension plan asset allocation differs per plan. On a weighted average basis, the allocation was as follows:

	The Netherlands		United States	
Percent	**2012**	2011	**2012**	2011
Equity securities	**21**	22	**40**	32
Debt securities	**58**	56	**44**	59
Real estate	**7**	14	**2**	2
Other	**14**	8	**14**	7
Total	**100**	100	**100**	100

23 Pensions and other post-employment benefits (continued)

In the Netherlands, the plan assets are managed by outside investment managers following investment strategies based on the composition of the plan liabilities. With the aid of Asset Liability Management modeling, analyses are made of possible future economic scenarios and investment portfolios. Based on these analyses, investment strategies are determined for each plan to produce optimal investment returns at acceptable funding ratio risk levels. Less favorable years can be part of these scenarios. Currently the strategic targets for asset allocation of the Dutch pension plan are: 25% equity securities (including equity derivatives and forward currency contracts), 50% debt securities, 15% real estate investments and 10% other investments, cash included. To partially hedge against interest rate risk exposure on the pension liabilities, the Dutch pension plan uses interest rate swap contracts. The Dutch early retirement plan has a relatively short remaining term; therefore the plan assets are invested in fixed income securities and cash instruments only.

In the United States, the plan assets are generally managed by outside investment managers and rebalanced periodically. The committees for the various U.S. plans establish investment policies and strategies and regularly monitor the performance of the assets, including the selection of investment managers, setting long-term strategic targets and monitoring asset allocations. Target allocation ranges are guidelines, not limitations, subject to variation from time to time or as circumstances warrant. Occasionally, the committees may approve allocations above or below a target range. Pension plan assets are invested in a trust intended to comply with the Employee Retirement Income Security Act of 1974, as amended, (ERISA) and applicable fiduciary standards. The long-term investment objective for the plan's assets is to maintain an acceptable funding ratio between assets and plan liabilities without undue exposure to risk. Currently, the strategic targets are: 45% equity securities, 45% debt securities and 10% other investments. These strategic targets are followed by the ongoing plans; however the weighted average allocations presented above are impacted by the frozen plan, which has 70% of its investments in debt securities and 30% in cash in order to meet the remaining planned settlement in 2013.

In 2012 and 2011 neither the Dutch nor the U.S. plans had any plan assets invested in Ahold shares.

Defined contribution plans

In the United States and Other Europe, there are defined contribution plans principally in the form of savings, incentive compensation and bonus plans. In connection with the Company's decision to transition its defined benefit pension plan for active salaried, non-union and certain union employees in the United States to a defined contribution pension plan, as further described above, a new 401(k) plan was introduced as of January 1, 2009.

During 2012 and 2011, the Company contributed €30 million and €28 million, respectively, to defined contribution plans. These contributions were recognized as an expense in the income statement and related entirely to continuing operations in 2012 and 2011.

Multi-employer plans

A significant number of union employees in the United States are covered by multi-employer plans based on obligations arising from collective bargaining agreements. These plans provide retirement and other benefits to participants based on their service to contributing employers. The benefits are paid from assets held in trust for that purpose. Trustees are appointed in equal number by employers and unions and they are typically responsible for oversight of the investment of the assets and administration of the plan. Benefit levels are generally determined through the collective bargaining process by the participating employers and unions.

Most of these plans are defined contribution plans. All plans that are defined benefit plans, on the basis of the terms of the benefits provided, are accounted for as defined contribution plans because sufficient information is not available to account for these plans as defined benefit plans. These plans are generally flat dollar benefit plans. Ahold is only one of several employers participating in each of these plans and the financial information that is provided by the third-party managers of the plans on the basis of the contractual agreements is usually insufficient to reliably measure Ahold's proportionate share in the plan assets and liabilities on defined benefit accounting principles. Furthermore, the financial statements of the multi-employer plans are drawn up on the basis of other accounting policies than those applied by Ahold. Consequently, these multi-employer plans are not included in Ahold's balance sheet.

Defined benefit plans

Ahold participated in 13 multi-employer pension plans that are defined benefit plans on the basis of the terms of the benefits provided. The following table presents Ahold's estimate of its proportionate share of each plan's deficit or surplus. Ahold's participation is the relative amount of its contributions during the year in relation to the total amount of contributions made to the plan. The estimate of Ahold's net proportionate share of the plans' deficits is based on the latest available information received from these plans, as indicated below, and updated for market trends and conditions through the end of 2012, and does not represent Ahold's direct obligation. While this is our best estimate, based upon information available to us, it is imprecise and not necessarily reliable.

23 Pensions and other post-employment benefits (continued)

		December 30, 2012			January 1, 2012		
€ million	Date of latest information	Plan deficit / (surplus)	Ahold's participation	Ahold's proportionate share of deficit / (surplus)	Plan deficit / (surplus)	Ahold's participation	Ahold's proportionate share of deficit / (surplus)
FELRA & UFCW Food Pension Fund	Jan. 1, 2012	**828**	**60.3%**	**499**	862	57.8%	499
New England Teamsters & Trucking Industry Pension	Oct. 1, 2011	**2,907**	**3.0%**	**87**	3,099	2.9%	90
UFCW Local 1262 & Employers Pension Fund	Jan. 1, 2011	**224**	**21.5%**	**48**	197	19.5%	38
United Food & Commercial Workers Intl Union – Industry Pension Fund	July 1, 2011	**(99)**	**22.0%**	**(22)**	(108)	19.8%	(21)
UFCW Local 1500 Pension Plan	Jan. 1, 2012	**138**	**25.8%**	**36**	138	24.8%	34
Warehouse Employees' Union Local 730 Pension Trust Fund	Jan. 1, 2012	**87**	**53.7%**	**47**	71	80.7%	58
Other plans	various	**5,155**	**1.2%**	**37**	6,616	0.5%	31
Total		**9,240**		**732**	10,875		729

During 2012, Ahold USA withdrew from the Central Pension Fund plan, which on January 1, 2012 had a deficit of €2,264 million of which Ahold's participation was 0.001%.

As part of Ahold USA's 2012 negotiation of a new collective bargaining agreement with UFCW Locals 400 and 27, a restructuring took place regarding the FELRA & UFCW Food Pension Fund. Under the restructuring, an agreement was reached to create a second pension plan for future service accruals for active Giant Landover employees. Both the existing plan, for past accrued benefits, and the new plan would be funded by Ahold USA and any other participating employers. Previous contribution levels under the existing plan will be comparable to new contribution levels for the existing and new plans. It is anticipated that the contribution levels of the new plan will be sufficient to fully fund benefits earned by the employees of Ahold USA and other participating employers.

During 2012 and 2011, the Company contributed €77 million and €69 million, respectively, to multi-employer defined benefit plans, which has been recognized as an expense in the consolidated income statement. If the underfunded liabilities of these plans are not reduced, either by improved market conditions or collective bargaining changes, increased future payments by the Company and the other participating employers may result. In 2013, the Company expects its contributions to increase to €82 million. Moreover, if the Company were to exit certain markets or otherwise cease making contributions to these funds, the Company could trigger a substantial withdrawal liability. Any adjustment for withdrawal liability will be recorded when it is probable that a liability exists and the amount can be reasonably estimated. No withdrawal payments were incurred or included in the 2012 and 2011 contributions disclosed above. Ahold's risk of increased contributions and withdrawal liabilities may be greater if any of the participating employers in an underfunded multi-employer plan withdraw from the plan or, due to insolvency, are not able to contribute an amount sufficient to fund the underfunded liabilities associated with their participants in the plan.

Defined contribution plans

Ahold also participates in over 39 multi-employer plans that are defined contribution plans on the basis of the terms of the benefits provided. The majority of these plans provide health and welfare benefits. The Company contributed €219 million to multi-employer defined contribution plans during both 2012 and 2011. These contributions are recognized as an expense in the consolidated income statement and related entirely to continuing operations in 2012 and 2011. These plans vary significantly in size, with contributions to the three largest plans representing 59% of total contributions.

24 Provisions

The table below specifies the changes in total provisions (current and non-current):

€ million	Self-insurance program	Loyalty programs	Claims and legal disputes	Restructuring	Onerous contracts	Other	Total
As of January 1, 2012							
Current portion	102	12	103	13	18	5	253
Non-current portion	404	39	41	41	89	50	664
Carrying amount	**506**	**51**	**144**	**54**	**107**	**55**	**917**
Year ended December 30, 2012							
Additions charged to income	138	17	8	1	10	9	183
Used during the year	(109)	(18)	(22)	(9)	(29)	(4)	(191)
Brought in through business combinations	–	–	–	–	5	–	5
Released to income	(1)	(3)	(6)	(3)	(11)	(2)	(26)
Interest accretion	3	2	1	2	4	1	13
Effect of changes in discount rates	1	–	–	1	2	2	6
Other movements	3	–	(2)	–	10	–	11
Exchange rate differences	(12)	–	(3)	–	(1)	–	(16)
Closing carrying amount	**529**	**49**	**120**	**46**	**97**	**61**	**902**
As of December 30, 2012							
Current portion	105	12	101	10	22	6	256
Non-current portion	424	37	19	36	75	55	646

Maturities of total provisions as of December 30, 2012, are as follows:

€ million	Self-insurance program	Loyalty programs	Claims and legal disputes	Restructuring	Onerous contracts	Other	Total
Amount due within one year	105	12	101	10	22	6	256
Amount due between two and five years	253	37	17	21	45	12	385
Amount due after five years	171	–	2	15	30	43	261
Total	**529**	**49**	**120**	**46**	**97**	**61**	**902**

Self-insurance program

Ahold is self-insured for certain potential losses, mainly relating to general liability, vehicle liability, workers' compensation and property losses relating to its subsidiaries. The maximum self-insurance retention per occurrence, including defense costs, is $2 million (€1 million) for general liability, $5 million (€4 million) for commercial vehicle liability, $5 million (€4 million) for workers' compensation, and effective as of December 1, 2012, $17.5 million (€13 million) for property losses. For property losses the maximum self-insurance retention per occurrence, including defense costs, was $8 million (€6 million) before December 1, 2012.

Measurement of the provision for the self-insurance program requires significant estimates. These estimates and assumptions include an estimate of claims incurred but not yet reported, historical loss experience, projected loss development factors, estimated changes in claim reporting patterns, claim settlement patterns, judicial decisions and legislation.

24 Provisions (continued)

Loyalty programs

This provision relates to a third-party customer loyalty program in the Netherlands and reflects the estimated cost of benefits to which customers participating in the loyalty program are entitled.

Claims and legal disputes

The Company is a party to a number of legal proceedings arising out of its business operations. Such legal proceedings are subject to inherent uncertainties. Management, supported by internal and external legal counsel, where appropriate, determines whether it is more likely than not that an outflow of resources will be required to settle an obligation. If this is the case, the best estimate of the outflow of resources is recognized. The balance of the provision as of December 30, 2012, included €94 million (January 1, 2012: €92 million) related to an adverse judgment received in Stop & Shop's legal proceedings against Vornado. For more information, see *Note 34*.

Restructuring

In 2012, Ahold recognized restructuring provisions of €1 million, mainly related to Ahold's U.S. operations. The provisions are based on formal and approved plans using the best information available at the time. The amounts that are ultimately incurred may change as the plans are executed. The balance of the provision as of December 30, 2012, consisted of €30 million related to rent and closing costs for Ahold's former Tops stores and €14 million and €2 million for restructurings within Ahold's Czech and U.S. operations, respectively.

Onerous contracts

Onerous contract provisions mainly relate to unfavorable lease contracts and include the excess of the unavoidable costs of meeting the obligations under the contracts over the benefits expected to be received under such contracts.

Other

Other provisions include asset retirement obligations, provisions for environmental risks and supplemental and severance payments, other than those resulting from restructurings.

25 Other non-current liabilities

€ million	December 30, 2012	January 1, 2012
Step rent accruals	**211**	187
Deferred income	**26**	29
Other	**14**	14
Total other non-current liabilities	**251**	230

Step rent accruals relate to the equalization of rent payments from lease contracts with scheduled fixed rent increases throughout the life of the contract.

Deferred income predominantly represents the non-current portions of deferred income on vendor allowances and deferred gains on sale and leaseback transactions.

26 Other current financial liabilities

€ million	December 30, 2012	January 1, 2012
Finance lease liabilities – current portion (see *Note 22*)	**75**	67
Interest payable	**25**	45
Short-term borrowings	**42**	41
Dividend cumulative preferred financing shares	**24**	24
Reinsurance liabilities – current portion (see *Note 15*)	**45**	41
Loans – current portion (see *Note 21*)	**22**	429
Other	**3**	1
Total other current financial liabilities	**236**	648

27 Other current liabilities

€ million	December 30, 2012	January 1, 2012
Accrued expenses	**533**	584
Compensated absences	**247**	241
Payroll taxes, social security and VAT	**249**	225
Deferred income	**27**	38
Deposit liabilities	**69**	48
Other	**9**	5
Total other current liabilities	**1,134**	1,141

28 Cash flow

The following table presents the reconciliation between the statement of cash flows and the cash and cash equivalents as presented on the balance sheet:

€ million	2012	2011
Cash and cash equivalents at the beginning of the year	**2,438**	2,600
Restricted cash	**(31)**	(21)
Cash and cash equivalents at the beginning of the year, excluding restricted cash	**2,407**	2,579
Net cash from operating, investing and financing activities	**(511)**	(226)
Effect of exchange rate differences on cash and cash equivalents	**(32)**	54
Restricted cash	**22**	31
Cash and cash equivalents at the end of the year	**1,886**	2,438

28 Cash flow (continued)

The following table presents additional cash flow information:

€ million	2012	2011
Non-cash investing activities		
Accounts payable at year end related to purchased non-current assets	**117**	109
Assets acquired under finance leases from continuing operations	**39**	68
Non-cash financing activities		
Finance lease liabilities originated from continuing operations	**(39)**	(68)
Acquisition of businesses		
Fair value of assets acquired	**(587)**	(36)
Goodwill	**(372)**	(24)
Less: Liabilities assumed	**234**	30
Total consideration paid	**(725)**	(30)
Cash acquired	**24**	–
Acquisition of businesses, net of cash acquired	**(701)**	(30)
Divestments of businesses		
Result on divestments of discontinued operations before income taxes	**(3)**	(22)
Changes in accounts receivable / payable and provisions – net	**(40)**	9
Divestment of businesses, net of cash divested	**(43)**	(13)

29 Earnings per share

The calculation of basic and diluted net income per share attributable to common shareholders is based on the following data:

	2012	2011
Earnings (€ million)		
Net income attributable to common shareholders for the purposes of basic earnings per share	**827**	1,017
Effect of dilutive potential common shares – reversal of preferred dividends from earnings	**25**	25
Net income attributable to common shareholders for the purposes of diluted earnings per share	**852**	1,042
Number of shares (in millions)		
Weighted average number of common shares for the purposes of basic earnings per share	**1,040**	1,111
Effect of dilutive potential common shares:		
Share options and conditional shares	**11**	11
Cumulative preferred financing shares	**49**	49
Weighted average number of common shares for the purposes of diluted earnings per share	**1,100**	1,171

29 Earnings per share (continued)

The calculation of the basic and diluted income from continuing operations per share attributable to common shareholders is based on the same number of shares as detailed above and the following earnings data:

€ million	2012	2011
Income from continuing operations, attributable to common shareholders for the purposes of basic earnings per share	830	1,032
Effect of dilutive potential common shares – reversal of preferred dividends from earnings	25	25
Income from continuing operations, attributable to common shareholders for the purposes of diluted earnings per share	**855**	1,057

Basic and diluted income per share from discontinued operations attributable to common shareholders amounted to €0.00 and negative €0.01, respectively (2011: negative €0.01 basic and negative €0.01 diluted). They are based on the loss from discontinued operations attributable to common shareholders of €3 million (2011: loss €15 million) and the denominators detailed above.

30 Financial risk management and financial instruments

Financial risk management

The Treasury function provides a centralized service to the Company for funding, foreign exchange, interest rate, liquidity and counterparty risk management. Treasury operates in a centralized function within a framework of policies and procedures that is reviewed regularly. The Treasury function is not operated as a profit center. Treasury's function is to manage the financial risks that arise in relation to underlying business needs. Ahold's Corporate Executive Board has overall responsibility for the establishment and oversight of the Treasury risk management framework. Ahold's management reviews material changes to Treasury policies and receives information related to Treasury activities.

In accordance with its Treasury policies, Ahold uses derivative instruments solely for the purpose of hedging exposures. These exposures are mainly connected with the interest rate and currency risks arising from the Company's operations and its sources of finance. Ahold does not enter into derivative financial instruments for speculative purposes. The transaction of derivative instruments is restricted to Treasury personnel only and Ahold's Internal Control and Internal Audit departments review the Treasury internal control environment regularly. Relationships with the credit rating agencies and monitoring of key credit ratios are also managed by the Treasury department.

Ahold's primary market risk exposures relate to foreign currency exchange rates and interest rates. In order to manage the risks arising from these exposures, various financial instruments may be utilized.

Currency risk

Ahold operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. dollar. Since Ahold's subsidiaries primarily purchase and sell in local currencies, the Company's exposure to exchange rate movements in commercial operations is naturally limited. The Company is subject to foreign currency exchange risks due to exchange rate movements in connection with the translation of its foreign subsidiaries' income, assets and liabilities into euros for inclusion in its consolidated financial statements. To protect the value of future foreign currency cash flows, including loan and interest payments, lease payments, dividends and firm purchase commitments, and the value of assets and liabilities denominated in foreign currency, Ahold seeks to mitigate its foreign currency exchange exposure by borrowing in local currency and entering into various financial instruments, including forward contracts and currency swaps. It is Ahold's policy to cover foreign exchange transaction exposure in relation to existing assets, liabilities and firm purchase commitments. Translation risk related to Ahold's foreign subsidiaries, joint ventures and associates is not actively hedged, except for cash flows from dividends not denominated in euro that are hedged using net investment hedges.

Foreign currency sensitivity analysis

Approximately 66% of Ahold's net sales is generated by subsidiaries whose activities are conducted in a currency other than the euro (2011: 65%) – mainly in the U.S. dollar. Assuming the euro had strengthened (weakened) by 10% against the U.S. dollar in 2012 compared to the actual 2012 rate, with all other variables held constant, the hypothetical result on income before income taxes would be a decrease (increase) of €42 million (2011: €22 million).

30 Financial risk management and financial instruments (continued)

Interest rate risk

Ahold's interest rate risk arises primarily from its debt. To manage interest rate risk, Ahold has an interest rate management policy aimed at reducing volatility in its interest expense and maintaining a target percentage of its debt in fixed rate instruments. Ahold's financial position is largely fixed by long-term debt issues and the use of derivative financial instruments such as interest rate swaps and cross-currency interest rate swaps. As of December 30, 2012, after taking into account the effect of interest rate swaps and cross-currency swaps, approximately 97% of Ahold's interest bearing debt was at fixed rates of interest (2011: 96%).

Interest rate sensitivity analysis

The total interest expense recognized in the 2012 income statement related to the variable rates of long-term debt, net of swaps, amounted to €7 million (2011: €8 million). The Company estimates that with a possible increase (decrease) of euro and U.S. dollar market interest rates of 25 basis points with all other variables (including foreign exchange rates) held constant, this would result in a hypothetical effect on income before income taxes of a loss (gain) of nil (2011: nil). In addition, a hypothetical result relating to fair value movements of derivative hedges that do not qualify for hedge accounting would have been a loss of €4 million or a gain of €4 million, respectively (2011: a loss of €5 million or a gain of €5 million, respectively). In performing this analysis, the effect was limited to a point where the absolute value of the reference interest would not decrease below 0%.

The total interest income recognized in the 2012 income statement amounted to €10 million (2011: €20 million) related mainly to variable rate money market fund investments and deposits. The Company estimates that with a possible increase (decrease) of euro and U.S. dollar market interest rates of 25 basis points with all other variables (including foreign exchange rates) held constant, this would result in a hypothetical effect on income before income taxes of a gain of €3 million or a loss of €2 million, respectively (2011: a gain (loss) of €5 million). In performing this analysis, the effect was limited to a point where the absolute value of the reference interest would not decrease below 0%.

The above sensitivity analyses are for illustrative purposes only as, in practice, market rates rarely change in isolation from other factors that also affect Ahold's financial position and results.

Credit risk

Ahold has no significant concentrations of credit risk. Sales to retail customers are made in cash, checks and debit cards, or via major credit cards. Sales to franchisees are done on credit. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions' products. Ahold invests in funds with a minimum rating of A- (Standard & Poor's), and predominantly AAA. With respect to credit risk, derivative contracts with counterparties are entered into primarily under the standard terms and conditions of the International Swap and Derivatives Association. The counterparties have an externally validated investment grade credit rating. Ahold has policies that limit the amount of counterparty credit exposure to any single financial institution or investment vehicle and continually monitors these exposures. The maximum exposure to credit risk is represented by the carrying amounts of the financial assets on the balance sheet (refer to the table on fair values of financial instruments below in this note). The maximum net amount of a credit risk loss that Ahold would incur if financial institutions that are parties to the derivative instruments completely failed to perform according to the terms of the contracts is €106 million as of December 30, 2012 (January 1, 2012: €290 million).

The majority of Ahold's past due but not impaired financial assets as of December 30, 2012, consists of receivables and is past due less than three months. The concentration of credit risk with respect to receivables is limited as the Company's customer base and vendor base are large and unrelated. As a result, management believes there is no further credit risk provision required in excess of the normal individual and collective impairment, based on an aging analysis performed as of December 30, 2012. For further discussion on Ahold's receivables, see *Notes 15* and *17*.

Liquidity risk

Ahold manages its liquidity risk on a consolidated basis with cash provided from operating activities being the primary source of liquidity, in addition to debt and equity issuances in the capital markets, committed and uncommitted credit facilities, letters of credit under credit facilities, and available cash. Ahold manages short-term liquidity based on projected cash flows over rolling periods of six months. As of December 30, 2012, Ahold had €1 billion of committed undrawn bank facilities, which can be drawn on for working capital and general corporate purposes and €1.9 billion of cash balances available to manage its liquidity.

Based on the current operating performance and liquidity position, the Company believes that cash provided by operating activities and available cash balances will be sufficient for working capital, capital expenditures, interest payments, dividends and scheduled debt repayment requirements for the next 12 months and the foreseeable future.

30 Financial risk management and financial instruments (continued)

The following tables summarize the expected maturity profile of the Company's derivative financial instruments and non-derivative financial liabilities as of December 30, 2012, and January 1, 2012, respectively, based on contractual undiscounted payments:

Year ended December 30, 2012

		Contractual cash flows			
€ million	Net carrying amount	Within 1 year	Between 1 and 5 years	After 5 years	Total
Non-derivative financial liabilities					
Notes	**(1,056)**	**(66)**	**(566)**	**(1,205)**	**(1,837)**
Other loans	**(5)**	**(1)**	**(1)**	**(3)**	**(5)**
Financing obligations	**(381)**	**(73)**	**(298)**	**(243)**	**(614)**
Mortgages payable	**(11)**	**(3)**	**(7)**	**(2)**	**(12)**
Finance lease liabilities	**(1,254)**	**(218)**	**(879)**	**(778)**	**(1,875)**
Cumulative preferred financing shares[1]	**(497)**	**(24)**	**(79)**	**(54)**	**(157)**
Short-term borrowings	**(42)**	**(42)**	**–**	**–**	**(42)**
Reinsurance liabilities	**(121)**	**(45)**	**(67)**	**(10)**	**(122)**
Accounts payable	**(2,667)**	**(2,667)**	**–**	**–**	**(2,667)**
Other	**(2)**	**–**	**–**	**(2)**	**(2)**
Derivative financial assets and liabilities					
Cross-currency derivatives and interest flows	**46**	**(34)**	**190**	**(151)**	**5**
Interest derivatives and interest flows	**59**	**11**	**49**	**–**	**60**

1 Cumulative preferred financing shares have no maturity. For the purpose of the table above, the future dividend cash flows were calculated until the coupon reset date of each of the four share-series (2013, 2016, 2018 and 2020). No liability redemption was assumed.

30 Financial risk management and financial instruments (continued)

Year ended January 1, 2012

€ million	Net carrying amount	Within 1 year	Between 1 and 5 years	After 5 years	Total
		Contractual cash flows			
Non-derivative financial liabilities					
Notes	(1,509)	(496)	(270)	(1,652)	(2,418)
Other loans	(3)	–	(2)	(1)	(3)
Financing obligations	(399)	(67)	(271)	(266)	(604)
Mortgages payable	(7)	(3)	(5)	–	(8)
Finance lease liabilities	(1,225)	(214)	(857)	(805)	(1,876)
Cumulative preferred financing shares[1]	(497)	(24)	(86)	(68)	(178)
Short-term borrowings	(41)	(41)	–	–	(41)
Reinsurance liabilities	(108)	(42)	(58)	(9)	(109)
Accounts payable	(2,436)	(2,436)	–	–	(2,436)
Other	(2)	–	–	(2)	(2)
Derivative financial assets and liabilities					
Cross-currency derivatives and interest flows	234	117	(119)	193	191
Interest derivatives and interest flows	57	9	36	13	58

1 Cumulative preferred financing shares have no maturity. For the purpose of the table above, the future dividend cash flows were calculated until the coupon reset date of each of the four share-series (2013, 2016, 2018 and 2020). No liability redemption was assumed.

All derivative financial instruments and non-derivative financial liabilities held at the reporting date, for which payments are already contractually agreed, have been included. Amounts in foreign currency have been translated using the reporting date closing rate. Cash flows arising from financial instruments carrying variable interest payments have been calculated using the forward curve interest rates as of December 30, 2012, and January 1, 2012, respectively. Refer to *Note 34* for the liquidity risk related to guarantees.

Credit ratings

As of December 30, 2012, Moody's Long Term Issuer Rating on Ahold was Baa3, with a stable outlook, both unchanged during 2012. Standard & Poor's Corporate Credit Rating assigned to Ahold was BBB with a stable outlook, both unchanged during 2012.

Maintaining investment grade credit ratings is a cornerstone of the Company's strategy as they serve to lower the cost of funds and to facilitate access to a variety of lenders and markets.

Capital risk management

The Company's primary objective in terms of managing capital is the optimization of its debt and equity balances in order to sustain the future development of the business, maintain an investment grade credit rating and maximize shareholder value.

The capital structure of the Company consists of net lease adjusted debt, which includes borrowings, cash, cash equivalents and short-term deposits, equity, and the present value of the operating lease commitments. Ahold may balance its overall capital structure in a number of ways, including through the payment of dividends, capital reduction, new share issues and share buybacks as well as the issuance of new debt or the redemption of existing debt.

30 Financial risk management and financial instruments (continued)

Financial instruments

Fair values of financial instruments

The following table presents the fair values of financial instruments, based on Ahold's categories of financial instruments, including current portions, compared to the carrying amounts at which these instruments are included on the balance sheet:

€ million	December 30, 2012 Carrying amount	December 30, 2012 Fair value	January 1, 2012 Carrying amount	January 1, 2012 Fair value
Loans receivable	**38**	**54**	36	51
Accounts receivable	**800**	**800**	770	770
Reinsurance assets	**109**	**109**	103	103
Total loans and receivables	**947**	**963**	909	924
Cash and cash equivalents	**1,886**	**1,886**	2,438	2,438
Short-term deposits held to maturity	**–**	**–**	154	154
Derivatives	**282**	**282**	381	381
Available for sale	**4**	**4**	3	3
Total financial assets	**3,119**	**3,135**	3,885	3,900
Notes	**(1,056)**	**(1,348)**	(1,509)	(1,767)
Other loans	**(5)**	**(4)**	(3)	(3)
Financing obligations	**(381)**	**(573)**	(399)	(545)
Mortgages payable	**(11)**	**(12)**	(7)	(8)
Finance lease liabilities	**(1,254)**	**(1,731)**	(1,225)	(1,683)
Cumulative preferred financing shares	**(497)**	**(535)**	(497)	(544)
Dividend cumulative preferred financing shares	**(24)**	**(24)**	(24)	(24)
Accounts payable	**(2,667)**	**(2,667)**	(2,436)	(2,436)
Short-term borrowings	**(42)**	**(42)**	(41)	(41)
Interest payable	**(25)**	**(25)**	(45)	(45)
Reinsurance liabilities	**(121)**	**(121)**	(108)	(108)
Other	**(2)**	**(2)**	(3)	(3)
Total financial liabilities at amortized cost	**(6,085)**	**(7,084)**	(6,297)	(7,207)
Derivatives	**(177)**	**(177)**	(90)	(90)
Total financial liabilities	**(6,262)**	**(7,261)**	(6,387)	(7,297)

Of Ahold's categories of financial instruments, only derivatives and assets available for sale are measured at fair value using Level 2 inputs. These are inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The fair value of derivative instruments is calculated based on discounted expected future cash flows. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates which match the maturity of the contracts. Interest rate swaps are measured at the present value of expected future cash flows and discounted based on the applicable yield curves derived from quoted interest rates.

30 Financial risk management and financial instruments (continued)

The carrying amount of receivables, cash and cash equivalents, accounts payable, short-term deposits held to maturity, and other current financial assets and liabilities approximate their fair values because of the short-term nature of these instruments and, for receivables, because of the fact that any recoverability loss is reflected in an impairment loss. The fair values of quoted borrowings are based on year-end ask-market quoted prices. The fair value of other non-derivative financial assets and liabilities that are not traded in an active market are estimated using discounted cash flow analyses based on market rates prevailing at year end. The fair value calculation method and the conditions for redemption and conversion of the cumulative preferred financing shares are disclosed in *Note 22*. The accrued interest is included in other current financial liabilities (see *Note 26*) and not in the carrying amounts of non-derivative financial assets and liabilities.

Derivatives

The fair values, notional amounts, the maturities and the qualification of the derivative financial instruments for accounting purposes are presented in the table below:

		December 30, 2012			January 1, 2012		
		Fair value			Fair value		
€ million	Maturity	**Assets**	**Liabilities**	**Notional amount**	Assets	Liabilities	Notional amount
Forward foreign currency contracts[1]	Within 1 year	**2**		**129**	1	–	140
Cross-currency swap	Within 1 year	**–**	**–**	**–**	141[2]	–	407
Cross-currency swap[3]	After 5 years	**–**	**(175)**	**290**	–	(89)	331
Total cash flow hedges		**2**	**(175)**	**419**	142	(89)	878
Forward foreign currency contracts[4]	Within 1 year	**–**	**(2)**	**64**	–	(1)	63
Total net investment hedges		**–**	**(2)**	**64**	–	(1)	63
Interest rate swap	After 5 years	**59**	**–**	**306[6]**	57	–	300[6]
Cross-currency swap[5]	After 5 years	**221**	**–**	**306[6]**	182	–	300[6]
Total derivatives – no hedge accounting treatment		**280**	**–**	**306[6]**	239	–	300[6]
Total derivative financial instruments		**282**	**(177)**	**789**	381	(90)	1,241

1 Foreign currency forwards designated as cash flow hedges are used to hedge the future cash flows denominated in foreign currencies.

2 Cross-currency swap accounted for as cash flow hedges used to hedge currency and cash flow risk on fixed debt denominated in foreign currency related to EUR 600 notes (see *Note 21* for additional information), which matured as of March 14, 2012.

3 Cross-currency swap accounted for as cash flow hedges used to hedge currency and cash flow risk on floating debt denominated in foreign currency, related to JPY 33,000 notes (see *Note 21* for additional information).

4 Foreign currency forwards accounted for as net investment hedges are used to hedge cash flow currency risk on a dividend flow from ICA.

5 As of December 30, 2012, the valuation of the GBP 250 cross-currency swap, related to the GBP 250 notes (see *Note 21* for additional information) includes the impact of the mark-to-market valuation of an embedded credit clause in the amount of €5 million. The volatility in the financial markets resulted in a €8 million gain related to this credit clause in the year 2012 (€3 million loss in 2011). Ahold is required under these swap contracts to redeem the U.S. dollar notional amount through semi-annual installments that commenced in September 2004. $232 million has been paid down as of December 30, 2012.

6 Interest rate swap and cross-currency interest rate swap relate to the same notional amount of GBP 250 million.

Gains and losses recognized in cash flow hedging reserve in equity as of December 30, 2012, mainly relate to the swap on the JPY 33,000 notes and will be released to the income statement over a period lasting until 2031.

31 Related party transactions

Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company determined that key management personnel consist of the members of the Corporate Executive Board (CEB) and the members of the Supervisory Board as of the year the members' appointment was approved by the General Meeting of Shareholders. The total compensation of key management personnel amounts to €8,596 thousand (2011: €4,936 thousand). This includes a one-off crisis levy in The Netherlands of €773 thousand (2011: nil) following the Budget Agreement 2013 Tax Measures Implementation Act. The one-off crisis levy is €773 thousand for members of the CEB and nil for the members of the Supervisory Board.

Employment contracts with individual Corporate Executive Board members

Dick Boer

In 2012, the Company provided Dick Boer with a base salary of €965,000 on an annual basis, participation in the annual cash incentive plan and participation in the Company's equity-based long-term incentive plan (GRO – see *Note 32*). The at-target payout under the annual cash incentive plan is 100% of base salary and is capped at 125% in case of extraordinary performance. Unless Boer's employment agreement is otherwise terminated, he will be eligible for reappointment at the annual General Meeting of Shareholders in April 2015. In the event that the Company terminates his employment agreement for reasons other than cause or because he is not reappointed by the shareholders, Boer is entitled to a severance payment equal to one year's base salary. His employment agreement may be terminated by the Company with a notice period of 12 months and by Boer with a notice period of six months. Boer participates in Ahold's Dutch Pension Plan.

Jeff Carr

In 2012, the Company provided Jeff Carr with a base salary of €600,000 on an annual basis, participation in the annual cash incentive plan and participation in the Company's equity-based long-term incentive plan (GRO – see *Note 32*). The at-target payout under the annual cash incentive plan is 100% of base salary and is capped at 125% in case of extraordinary performance. Furthermore, Carr receives a housing allowance of €7,000 net per month for the first term of four years. Unless Carr's employment agreement is otherwise terminated, he will be eligible for reappointment at the annual General Meeting of Shareholders in April 2015. In the event that the Company terminates his employment agreement for reasons other than cause or because he is not reappointed by the shareholders, Carr is entitled to a severance payment equal to one year's base salary. His employment agreement may be terminated by the Company with a notice period of 12 months and by Carr with a notice period of six months. Carr participates in Ahold's Dutch Pension Plan.

Lodewijk Hijmans van den Bergh

In 2012, the Company provided Lodewijk Hijmans van den Bergh with a base salary of €530,000 on an annual basis, participation in the annual cash incentive plan and participation in the Company's equity-based long-term incentive plan (GRO – see *Note 32*). The at-target payout under the annual cash incentive plan is 100% of base salary and is capped at 125% in case of extraordinary performance. Unless Hijmans van den Bergh's employment agreement is otherwise terminated, he will be eligible for reappointment in 2014. In the event that the Company terminates his employment agreement for reasons other than cause or because he is not reappointed by the shareholders, Hijmans van den Bergh is entitled to a severance payment equal to one year's base salary. His employment agreement may be terminated by the Company with a notice period of 12 months and by Hijmans van den Bergh with a notice period of six months. Hijmans van den Bergh participates in Ahold's Dutch Pension Plan.

James McCann

In 2012, the Company provided James McCann with a base salary of €600,000 on an annual basis, participation in the annual cash incentive plan and participation in the Company's equity-based long-term incentive plan (GRO – see *Note 32*). The at-target payout under the annual cash incentive plan is 100% of base salary and is capped at 125% in case of extraordinary performance. Furthermore, McCann receives a housing allowance of €7,000 net per month for the first term of four years. Unless McCann's employment agreement is otherwise terminated, he will be eligible for reappointment at the annual General Meeting of Shareholders in April 2015. In the event that the Company terminates his employment agreement for reasons other than cause or because he is not reappointed by the shareholders, McCann is entitled to a severance payment equal to one year's base salary. His employment agreement may be terminated by the Company with a notice period of 12 months and by McCann with a notice period of six months. McCann participates in Ahold's Dutch Pension Plan.

31 Related party transactions (continued)

Remuneration of the individual Corporate Executive Board members

The remuneration of the individual Corporate Executive Board members, which is disclosed as of the year the members' appointment was approved by the General Meeting of Shareholders, can be specified as follows:

				Direct remuneration			Deferred remuneration
€ thousand	Base salary	Bonuses[1]	Other[2]	Total direct remuneration	Share-based Compensation[3]	Pensions[4]	Total Remuneration[5]
Dick Boer							
2012	**965**	**478**	**13**	**1,456**	**890**	**95**	**2,441**
2011	898	907	23	1,828	771	131	2,730
Jeff Carr							
2012	**600**	**330**	**155**	**1,085**	**386**	**175**	**1,646**
2011	–	–	–	–	–	–	–
Lodewijk Hijmans van den Bergh							
2012	**530**	**292**	**49**	**871**	**412**	**120**	**1,403**
2011	500	505	11	1,016	239	120	1,375
James McCann							
2012	**600**	**330**	**153**	**1,083**	**386**	**138**	**1,607**
2011	–	–	–	–	–	–	–
John Rishton[6]							
2012	**–**	**–**	**–**	**–**	**–**	**–**	**–**
2011	149	–	57	206	93	38	337
Kimberly Ross[7]							
2012	**–**	**–**	**–**	**–**	**–**	**–**	**–**
2011	491	–	246	737	(611)	(454)	(328)
Lawrence Benjamin[8]							
2012	**–**	**–**	**–**	**–**	**–**	**–**	**–**
2011	59	64	127	250	–	(113)	137
Total 2012	**2,695**	**1,430**	**370**	**4,495**	**2,074**	**528**	**7,097**
Total 2011	2,097	1,476	464	4,037	492	(278)	4,251

1 Bonuses represent accrued bonuses to be paid in the following year.

2 "Other" mainly includes allowances for housing expenses, international school fees, employer's contributions to social security plans, benefits in kind such as tax advice, tax compensation (for company car), medical expenses, and the associated tax gross up.

3 The amounts represent the share-based compensation expense calculated under IFRS 2. The fair value of each year's grant is determined on the grant date and expensed on a straight-line basis over the vesting period. The expense for 2012 reflects this year's portion of the share grants over the previous five years (2008 to 2012).

4 Pension costs are the total net periodic pension costs.

5 On July 18, 2012, the Budget Agreement 2013 Tax Measures Implementation Act came into effect. One of the amendments concerns a one-off crisis levy of 16% of the wages from current employment (including any bonuses) that employers paid their employees during 2012, insofar such wages exceeded €150,000. The total crisis levy accrued for the CEB members in 2012 was €773,000 and is excluded from 'Total remuneration' as presented in the table above. The crisis levy was €472,000, €67,000, €151,000 and €83,000 for Dick Boer, Jeff Carr, Lodewijk Hijmans van den Bergh and James McCann, respectively.

6 John Rishton voluntarily resigned from the Corporate Executive Board on February 28, 2011. The share-based compensation expense related to John Rishton's service period during 2011 was €93,000 (relating to shares vesting in 2011).

7 Kimberly Ross voluntarily resigned from the Corporate Executive Board on November 22, 2011. The share-based compensation expense related to Kimberly Ross' service period during 2011 was €43,000 (relating to shares vesting in 2011). In addition, an amount of €654,000 was reversed, representing the share-based compensation expense recognized in the previous years related to shares that were forfeited (the three-year grants for 2009 and 2010, the five-year grants for 2007, 2008, 2009, and 2010 and the matching shares related to the 2007 grant).

8 Lawrence Benjamin retired from the Corporate Executive Board as of January 31, 2011.

31 Related party transactions (continued)

Remuneration of the Supervisory Board members

€ thousand	2012	2011
René Dahan (reappointed in 2012)	**102**	90
Tom de Swaan (reappointed in 2011)	**88**	89
Derk C. Doijer (reappointed in 2009)	**84**	80
Stephanie M. Shern (reappointed in 2009)	**89**	85
Judith Sprieser (reappointed in 2010)	**94**	88
Mark McGrath (reappointed in 2012)	**101**	88
Ben Noteboom (appointed in 2009)	**81**	79
Rob van den Bergh (appointed in 2011)	**87**	62
Karen de Segundo (resigned on April 20, 2011)	**–**	24
Total	**726**	685

Shares and other interests in Ahold

As of December 30, 2012, Corporate Executive Board members held the following shares and other interests in Ahold:

€ million	Common shares subject to additional holding requirement[1]	Other common shares	Total common shares
Dick Boer	**51,541**	**195,310**	**246,851**
Jeff Carr	**–**	**10,000**	**10,000**
Lodewijk Hijmans van den Bergh	**–**	**–**	**–**
James McCann	**–**	**110,000**	**110,000**
Total	**51,541**	**315,310**	**366,851**

1 In line with best practice II.2.5 of the Dutch Corporate Governance Code, mid-term (three-year) shares granted and vested under the GRO program to Corporate Executive Board members will have to be retained for a period of at least five years after granting, except to finance tax due at the vesting date, or at least until the end of a member's employment by the Company, if this period is shorter.

As of December 30, 2012, René Dahan held 112,000 Ahold common shares and Rob van den Bergh held 15,000 Ahold common shares. None of the other Supervisory Board members held Ahold shares.

Ahold does not provide loans or advances to members of the Corporate Executive Board or the Supervisory Board. There are no loans or advances outstanding. Ahold does not issue guarantees to the benefit of members of the Corporate Executive Board or the Supervisory Board. There have been no such guarantees issued.

31 Related party transactions (continued)

Trading transactions

Ahold has entered into arrangements with a number of its subsidiaries and affiliated companies in the course of its business. These arrangements relate to service transactions and financing agreements. Transactions were conducted at market prices.

During 2012 and 2011, the Company entered into the following transactions with unconsolidated related parties:

For the year ended December 30, 2012

€ million	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties	Commitments to related parties
ICA	**32**	**1**	**12**	**8**	**–**
Stationsdrogisterijen	**15**	**–**	**–**	**5**	**–**
JMR	**6**	**–**	**2**	**1**	**–**
Accounting Plaza B.V.	**–**	**8**	**–**	**–**	**–**
Other	**1**	**2**	**15**	**2**	**31**
Total	**54**	**11**	**29**	**16**	**31**

For the year ended January 1, 2012

€ million	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties	Commitments to related parties
ICA	35	1	11	10	–
Stationsdrogisterijen	15	–	–	5	–
JMR	6	–	1	2	–
Accounting Plaza B.V.	1	30	–	1	–
Other	1	2	10	–	39
Total	**58**	**33**	**22**	**18**	**39**

These unconsolidated related parties consist of:

- ICA, a joint venture of Ahold in the retail business
- Stationsdrogisterijen C.V., a joint venture of Ahold in the health and beauty care retail business
- JMR, a joint venture of Ahold in the retail business
- Ahold divested its interest in Accounting Plaza B.V. in 2012
- "Other," which includes mainly real estate joint ventures in which Ahold has an interest, holding properties operated by Ahold and Loyalty Management Nederland B.V., an associate of Ahold that renders services relating to the management of customer loyalty programs to certain Ahold subsidiaries in the Netherlands

Furthermore, the Company's post-employment benefit plans in the Netherlands and the United States are considered related parties. For more information on these plans, see *Note 23*.

32 Share-based compensation

In 2012, Ahold's share-based compensation program consisted of a conditional share grant program called Global Reward Opportunity (GRO). This program, introduced in 2006, replaced the Company's share option plans. In principle, plan rules will not be altered during the term of the plans. Total 2012 GRO share-based compensation expenses were €40 million (2011: €29 million). Ahold's share-based compensation programs are equity-settled.

The fair value of the shares granted under the GRO program in 2012 at grant date was €61 million, of which €3 million related to Corporate Executive Board members. This fair value is expensed over the vesting period of the grants adjusted for assumed annual forfeitures of 5% (2011: 6%). For the share-based compensation expenses allocable to the individual Corporate Executive Board members, see *Note 31*.

GRO program

Main characteristics

Under the GRO program, Ahold shares are granted through a mid-term (three-year) and a long-term (five-year) program. The number of conditional shares to be granted depends on the at-target value, the annual incentive multiplier of the preceding year and the average share price for six months preceding the date of the grant. The shares are granted on the day after the annual General Meeting of Shareholders and vest on the day after the publication of Ahold's full-year results in the third year (mid-term component) or fifth year (long-term component) after the grant, provided the participant is still employed by Ahold. Shares granted to Corporate Executive Board members vest on the day after the annual General Meeting of Shareholders in the third year (mid-term component) or fifth year (long-term component) after the grant, subject to continued employment. Corporate Executive Board members are not allowed to sell their shares within a period of five years from the grant date, except to finance tax due at the date of vesting. For participants other than the Corporate Executive Board members, the mid-term component of the program contains a matching feature. For every five shares a participant holds for an additional two years after the vesting date, the participant will receive one additional share.

The conditional shares granted through the long-term component are subject to a performance condition. The number of shares that will ultimately vest depends on Ahold's performance compared to 11 other retail companies (refer to the *Remuneration* section for the composition of the peer group), measured over a five-year period using Total Shareholder Return (TSR), which is the sum of share price growth and dividends paid. The table below indicates the percentage of conditional shares that could vest based on the ranking of Ahold within the peer group:

Rank	1	2	3	4	5	6	7	8	9	10	11	12
Corporate Executive Board	150%	130%	110%	90%	70%	50%	25%	0%	0%	0%	0%	0%
Other participants	150%	135%	120%	105%	90%	75%	60%	45%	30%	15%	7.5%	0%

As of the end of 2012, Ahold held the third position with respect to the 2008 share grant, the fourth position for the 2009, 2010 and 2012 share grant and the fifth position for the 2011 share grant. The 2008 grant's long-term component vests on the day after the publication of the 2012 annual results. The final TSR ranking for this component is the third position (110% for Corporate Executive Board members and 120% other participants). The positions with respect to the 2009, 2010, 2011 and 2012 share grants are not an indication of Ahold's final ranking at the end of the performance periods, nor do they provide any information related to the vesting of shares.

Upon termination of employment due to retirement, disability or death, the same vesting conditions as described above apply. Upon termination of employment without cause (e.g. restructuring or divestment), a pro rata part of the granted shares will vest on the date of termination of employment.

32 Share-based compensation (continued)

The following table summarizes the status of the GRO program during 2012 for the individual Corporate Executive Board members and for all other employees in the aggregate.

	Outstanding at the beginning of 2012	Granted[1]	Vested[2]	Forfeited	**Outstanding at the end of 2012**	Minimum number of shares[3]	Maximum number of shares[4]	Fair value per share at the grant date (€)
Dick Boer								
Five-year 2007 grant	39,779	3,977	43,756	–	**–**	–	–	8.03
Five-year 2008 grant	52,674	–	–	–	**52,674**	–	79,011	8.04
Three-year 2009 grant	54,706	–	54,706	–	**–**	–	–	8.04
Five-year 2009 grant	54,706	–	–	–	**54,706**	–	82,059	7.02
Three-year 2010 grant	33,671	–	–	–	**33,671**	33,671	33,671	9.50
Five-year 2010 grant	33,671	–	–	–	**33,671**	–	50,506	7.29
Three-year 2011 grant	65,965	–	–	–	**65,965**	65,965	65,965	8.59
Five-year 2011 grant	65,965	–	–	–	**65,965**	–	98,947	6.00
Three-year 2012 grant	–	73,026	–	–	**73,026**	73,026	73,026	9.23
Five-year 2012 grant	–	73,026	–	–	**73,026**	–	109,539	7.81
Jeff Carr								
Three-year 2011 grant	49,889	499	–	–	**50,388**	50,388	50,388	8.31
Five-year 2011 grant	49,889	499	–	–	**50,388**	–	75,582	5.80
Three-year 2012 grant	–	45,405	–	–	**45,405**	45,405	45,405	9.23
Five-year 2012 grant	–	45,405	–	–	**45,405**	–	68,107	7.81
Lodewijk Hijmans van den Bergh								
Three-year 2010 grant	30,472	–	–	–	**30,472**	30,472	30,472	9.50
Five-year 2010 grant	30,472	–	–	–	**30,472**	–	45,708	7.29
Three-year 2011 grant	34,902	–	–	–	**34,902**	34,902	34,902	8.59
Five-year 2011 grant	34,902	–	–	–	**34,902**	–	52,353	6.00
Three-year 2012 grant	–	40,108	–	–	**40,108**	40,108	40,108	9.23
Five-year 2012 grant	–	40,108	–	–	**40,108**	–	60,162	7.81
James McCann								
Three-year 2011 grant	49,889	499	–	–	**50,388**	50,388	50,388	8.31
Five-year 2011 grant	49,889	499	–	–	**50,388**	–	75,582	5.80
Three-year 2012 grant	–	45,405	–	–	**45,405**	45,405	45,405	9.23
Five-year 2012 grant	–	45,405	–	–	**45,405**	–	68,107	7.81
Subtotal CEB members	731,441	413,861	98,462	–	**1,046,840**	469,730	1,335,393	

1 Represents the number of shares originally granted for the 2012 grant. For the five-year 2007 grant, the number of shares granted in 2012 represents the additional number of shares granted based on the final TSR ranking. For the 2011 grant, the additional shares granted to Jeff Carr and James McCann relate to the final annual cash incentive plan multiplier for the year 2011 as determined in the year 2012.

2 The vesting date of the five-year 2007 grant and the three year 2009 grant was on April 18, 2012. The Euronext closing share price was €10.41 as of April 18, 2012.

3 For the three-year grants, the minimum number of shares equals the number of outstanding shares. For the five-year grants, the minimum number of shares would be nil if Ahold's ranking was eight or lower (as explained in the section *Main characteristics* above).

4 For the three-year grants, the maximum number of shares equals the number of outstanding shares. For the five-year grants, the maximum number of shares equals 150% of outstanding shares if Ahold's ranking is one (as explained in the section *Main characteristics* above).

32 Share-based compensation (continued)

	Outstanding at the beginning of 2012	Granted[1]	Vested[2]	Forfeited	**Outstanding at the end of 2012**
Other employees					
2007 grant	1,447,223	370,615	1,806,060	11,778	**–**
2008 grant	1,834,339	–	13,824	44,827	**1,775,688**
2009 grant	4,965,558	–	2,479,338	102,753	**2,383,467**
2010 grant	2,786,839	–	14,377	103,672	**2,668,790**
2011 grant	5,292,671	–	12,780	158,957	**5,120,934**
2012 grant	–	5,972,913	1,452	127,499	**5,843,962**
Subtotal CEB members	731,441	413,861	98,462	–	**1,046,840**
Total number of shares	17,058,071	6,757,389	4,426,293	549,486	**18,839,681**

1 Represents the number of shares originally granted for the 2012 grant. For the five-year 2007 grant the number of shares granted in 2012 represents the additional number of shares granted based on the final TSR ranking and the matching shares related to the 2007 grant.

2 The vesting date of the five-year 2007 grant, the matching shares related to the 2007 grant and the three-year 2009 grant was March 2, 2012. The Euronext closing share price was €10.07 as of March 2, 2012.

Valuation model and input variables

The weighted average fair value of the conditional shares granted in 2012, for all eligible participants including Corporate Executive Board members, amounted to €9.19 and €8.84 per share for the three-year and five-year components, respectively (2011: €8.60 and €7.06, respectively). The fair value of the three-year component is based on the share price on the grant date, reduced by the present value of dividends expected to be paid during the vesting period. The fair value of the five-year component is determined using a Monte Carlo simulation model. The most important assumptions used in the valuations of the three- and five-year components were as follows (expressed as weighted averages):

Percent	**2012**	2011
Risk-free interest rate	**1.0**	2.4
Volatility	**23.1**	27.6
Assumed dividend yield	**4.6**	4.2

Expected volatility has been determined based on historical volatilities.

Share option plans

In 2005, Ahold had one global share option plan with a uniform set of rules and conditions for all participants, except members of the Corporate Executive Board, to whom a separate plan applied. The term of the 2005 share options for all participants except Corporate Executive Board members is eight years and the exercise of these options is conditional upon continued employment during a three-year vesting period. Upon termination of employment, share options that have vested can be exercised during the four weeks following termination and are forfeited thereafter. The share option grant made in 2005 to members of the Corporate Executive Board had a five- and a 10-year term and was subject to a performance criterion at vesting: the average economic value-added improvement versus targeted improvement over the three financial years prior to vesting. In 2008, the final vesting percentage was set at 96%.

Until January 2, 2005, Ahold had three share option plans (the Dutch, U.S. and International Share Option Plans – collectively the “Plans”). Under these Plans, participants were granted share options with either a five- or 10-year term. In addition, a limited number of share options were granted in 2006 under the 2005 global share option plan rules with a five- or 10-year term. After the introduction of GRO, options were discontinued as a remuneration component. All options vested by the end of 2009.

32 Share-based compensation (continued)

The following table summarizes the status of the share option plans during 2012 for the individual Corporate Executive Board members and for all other employees in the aggregate.

Description of grant	Outstanding at the beginning of 2012	Exercised	Forfeited	Expired	**Outstanding at the end of 2012**	Exercise price	Expiration date
Dick Boer							
Eight-year 2005 grant	70,200	70,200	–	–	**–**	6.36	04/03/2013
Ten-year 2003 grant	21,000	–	–	21,000	**–**	11.65	12/29/2012
Ten-year 2004 grant	21,000	–	–	–	**21,000**	5.83	12/28/2013
Subtotal CEB members	112,200	70,200	–	21,000	**21,000**		
Weighted average exercise price	7.25				**5.83**		
Other employees							
Eight-year	1,632,560	678,370	–	25,638	**928,552**	6.36	
Ten-year	2,442,648	270,901	–	1,630,615	**541,132**	5.89	
Subtotal other employees	4,075,208	949,271	–	1,656,253	**1,469,684**		
Total options	4,187,408	1,019,471	–	1,677,253	**1,490,684**		
Weighted average exercise price	8.39	6.27		11.63	**6.18**		
Weighted average share price at date of exercise		10.22					

The following table summarizes information about the total number of outstanding share options as of December 30, 2012:

Exercise price (range)	Number outstanding and exercisable at December 30, 2012	Weighted average exercise price	Weighted average remaining contractual years
5.83-6.36	**1,490,684**	6.18	0.61

33 Operating leases

Ahold as lessee

Ahold leases a significant number of its stores, as well as distribution centers, offices and other assets, under operating lease arrangements. The aggregate amounts of Ahold's minimum lease commitments payable to third parties under non-cancelable operating lease contracts are as follows:

€ million	**December 30, 2012**	January 1, 2012
Within one year	**692**	677
Between one and five years	**2,217**	2,245
After five years	**2,767**	3,016
Total	**5,676**	5,938

Certain store leases provide for contingent additional rentals based on a percentage of sales and consumer price indices. Substantially all of the store leases have renewal options for additional terms. None of Ahold's leases impose restrictions on Ahold's ability to pay dividends, incur additional debt or enter into additional leasing arrangements.

33 Operating leases (continued)

The annual costs of Ahold's operating leases from continuing operations, net of sublease income, are as follows:

€ million	2012	2011
Minimum rentals	**689**	635
Contingent rentals	**28**	25
Sublease income	**(106)**	(100)
Total	**611**	560

In addition to the operating lease commitments disclosed above, Ahold has signed lease agreements for properties under development of which it has not yet taken possession. The total future minimum lease payments for these agreements amount to approximately €195 million (2011: €233 million). These lease contracts are subject to conditions precedent to the rent commencement date.

Ahold as lessor

Ahold rents out its investment properties (mainly retail units in shopping centers containing an Ahold store) and also (partially) subleases various other properties that are leased by Ahold under operating leases. The aggregate amounts of the related future minimum lease and sublease payments receivable under non-cancelable lease contracts are as follows:

€ million	December 30, 2012	January 1, 2012
Within one year	**180**	174
Between one and five years	**493**	491
After five years	**417**	421
Total	**1,090**	1,086

The total contingent rental income recognized during the year on all leases where Ahold is the lessor was €3 million (2011: €4 million).

34 Commitments and contingencies

Capital investment commitments

As of December 30, 2012, Ahold had outstanding capital investment commitments for property, plant and equipment and investment property, and for intangible assets of approximately €124 million and €3 million, respectively (January 1, 2012: €133 million and €1 million, respectively). Ahold's share in the capital investment commitments of its unconsolidated joint ventures ICA and JMR amounted to €38 million as of December 30, 2012 (January 1, 2012: €30 million).

Purchase commitments

Ahold enters into purchase commitments with vendors in the ordinary course of business. Ahold has purchase contracts with some vendors for varying terms that require Ahold to buy services and predetermined volumes of goods and goods not-for-resale at fixed prices. As of December 30, 2012, the Company's purchase commitments were approximately €1,509 million (January 1, 2012: €2,424 million). The significant decrease in 2012 is due to the expiry of a single purchase commitment with a three-year term. Not included in the purchase commitments are those purchase contracts for which Ahold has received advance vendor allowances, such as up-front signing payments in consideration of its purchase commitments. These contracts generally may be terminated without satisfying the purchase commitments upon the repayment of the unearned portions of the advance vendor allowances. The unearned portion of these advance vendor allowances is recorded as a liability on the balance sheet.

34 Commitments and contingencies (continued)

Contingent liabilities

Guarantees

Guarantees to third parties issued by Ahold can be summarized as follows:

€ million	December 30, 2012	January 1, 2012
Lease guarantees	**579**	686
Lease guarantees backed by letters of credit	**78**	94
Corporate and buyback guarantees	**52**	49
Loan guarantees	**5**	6
Total	**714**	835

The amounts included in the table above are the maximum undiscounted amounts the Group could be forced to settle under the arrangement for the full guaranteed amount, if that amount is claimed by the counterparty to the guarantee. As part of the divestment of U.S. Foodservice in 2007, Ahold received an irrevocable standby letter of credit for $216 million (€163 million), which was reduced to $103 million (€78 million) as of December 30, 2012. As part of the divestment of Ahold's Polish retail operations, Ahold received a guarantee from Carrefour for €152 million in June 2007, which matured during 2012.

Ahold is contingently liable for leases that have been assigned to third parties in connection with facility closings and asset disposals. Ahold could be required to assume the financial obligations under these leases if any of the assignees are unable to fulfill their lease obligations. The lease guarantees are based on the nominal value of future minimum lease payments of the assigned leases, which extend through 2040. The amounts of the lease guarantees exclude the cost of common area maintenance and real estate taxes; such amounts may vary in time, per region, and per property. Of the €579 million in the undiscounted lease guarantees, €282 million relates to the BI-LO / Bruno's divestment and €220 million to the Tops divestment. On a discounted basis those lease guarantees amount to €485 million and €552 million as of December 30, 2012, and January 1, 2012, respectively.

On February 5, 2009, and March 23, 2009, Bruno's Supermarkets, LLC and BI-LO, LLC, respectively, filed for protection under Chapter 11 of the U.S. Bankruptcy Code (the filings). As a result of the filings, Ahold has made an assessment of its potential obligations under the lease guarantees based upon the remaining initial term of each lease, an assessment of the possibility that Ahold would have to pay under a guarantee and any potential remedies that Ahold may have to limit future lease payments. Consequently, in 2009, Ahold recognized provisions of €109 million and related tax benefit offsets of €47 million within results on divestments.

On May 12, 2010, the reorganized BI-LO exited bankruptcy protection, BI-LO assumed 149 operating locations that are guaranteed by Ahold. During the BI-LO bankruptcy, BI-LO rejected a total of 16 leases which are guaranteed by Ahold and Ahold also took assignment of 12 other BI-LO leases with Ahold guarantees. Based on the foregoing developments, Ahold recognized a reduction of €23 million in its provision, after tax, within results on divestments in the first half of 2010. Since the end of the second quarter of 2010, Ahold has entered into settlements with a number of landlords relating to leases of former BI-LO or Bruno's stores that are guaranteed by Ahold.

At the end of 2012, the remaining provision relating to BI-LO and Bruno's was €35 million (2011: €61 million) with a related tax benefit offset of €15 million (2011: €26 million). This amount represents Ahold's best estimate of the discounted aggregate amount of the remaining lease obligations and associated charges, net of known mitigation offsets, which could result in cash outflows for Ahold under the various lease guarantees. Ahold continues to pursue its mitigation efforts with respect to these lease guarantee liabilities and to closely monitor any developments with respect to Bruno's and BI-LO.

Ahold has provided corporate guarantees to certain suppliers of Ahold's franchisees or non-consolidated entities. Ahold would be required to perform under the guarantee if the franchisee or non-consolidated entity failed to meet its financial obligations, as described in the guarantee. Buyback guarantees relate to Ahold's commitment to repurchase stores or inventory from certain franchisees at predetermined prices. The buyback guarantees reflect the maximum committed repurchase value under the guarantees. The last of the corporate and buyback guarantees expire in 2017.

34 Commitments and contingencies (continued)

Loan guarantees relate to the principal amounts of certain loans payable by Ahold's franchisees, non-consolidated real estate development entities and joint ventures. The term of most guarantees is equal to the term of the related loan, the last of which matures in 2016. Ahold's maximum liability under the guarantees equals the total amount of the related loans plus, in most cases, reasonable costs of enforcement of the guarantee.

Representations and warranties as part of the sale of Ahold's operations

Ahold has provided, in the relevant sales agreements, certain customary representations and warranties including, but not limited to, completeness of books and records, title to assets, schedule of material contracts and arrangements, litigation, permits, labor matters, and employee benefits and taxes. These representations and warranties will generally terminate, depending on their specific features, one to seven years after the date of the relevant transaction completion date.

		Contingent liability cap	
	Closing date	Local currency million	€ million
Disco	November 1, 2004	€15[1]	15[1]
BI-LO / Bruno's	January 31, 2005	$33	25
Deli XL	September 12, 2005	€40	40
U.S. Foodservice	July 3, 2007	None[2]	None[2]
Tops Markets	December 3, 2007	$70	53
Tops' Wilson Farms / Sugarcreek	December 3, 2007	$5	4
Accounting Plaza[3]	April 25, 2012	€12	12

1 Ahold assesses the likelihood to be liable up to the amount of the contingent liability cap to be remote. The cap does not include Ahold's indemnification obligation relating to the litigation described below.

2 No cap on contingent liability, but Ahold has an indemnification obligation if a $40 million threshold is exceeded. The threshold was exceeded in 2009.

3 Contingent liability cap for title-to-share type of warranties only

The most significant sales of operations are described below. In addition, specific, limited representations and warranties exist for certain of Ahold's smaller divestments in 2004, 2005, 2007 and 2012. The aggregate impact of a claim under such representations and warranties is not expected to be material.

Bradlees

In 1992, Stop & Shop spun off Bradlees Stores, Inc. (Bradlees) as a public company (the Bradlees Spin-off). In connection with the Bradlees Spin-off, Stop & Shop assigned to Bradlees certain commercial real property leases. Pursuant to a 1995 reorganization of Bradlees and a subsequent wind-down and liquidation of Bradlees following a bankruptcy protection filing in 2000 (collectively, the Bradlees Bankruptcies), a number of such real property leases were assumed and assigned to third parties. Pursuant to applicable law, Stop & Shop may be contingently liable to landlords under certain of the leases assigned in connection with the Bradlees Spin-off and subsequently assumed and assigned to third parties in connection with the Bradlees Bankruptcies.

Disco

Ahold is required to indemnify the buyers of Disco S.A. (Disco) and Disco for certain claims made by alleged creditors of certain Uruguayan and other banks. For additional information, see the Uruguayan litigation described in the Legal proceedings section below. Ahold's indemnification obligation relating to this litigation is not capped at a certain amount nor restricted to a certain time period.

BI-LO / Bruno's

In connection with the sale of BI-LO and Bruno's, Ahold may be contingently liable to landlords under guarantees of some 200 BI-LO or Bruno's operating or finance leases that existed at the time of the sale in the event of a future default by the tenant under such leases. As a result of the bankruptcy filings by BI-LO and Bruno's during 2009, a provision was recognized in 2009. BI-LO exited bankruptcy in May 2010 and the Company has re-evaluated its estimate of liability. For more information, refer to the *Guarantees* section above in this Note.

34 Commitments and contingencies (continued)

U.S. Foodservice

In connection with the sale of U.S. Foodservice, which closed on July 3, 2007 (the Completion), Ahold indemnified U.S. Foodservice against damages incurred after the Completion relating to matters including (i) the putative class actions filed in 2006 and 2007 and referred to below under "Waterbury litigation" and any actions that might be brought by any current or former U.S. Foodservice customers that concern the pricing practices at issue in such litigation for sales made by U.S. Foodservice prior to the Completion and (ii) the investigation by the Civil Division of the U.S. Department of Justice into U.S. Foodservice's pricing practices for sales made to the U.S. Government prior to the Completion. See also below.

Tops Markets, LLC

In connection with the sale of Tops in 2007, Ahold has certain post-closing indemnification obligations under the sale agreement (the 2007 Tops Sale Agreement) that Ahold believes are customary for transactions of this nature. Ahold retained certain liabilities in the sale, including contingent liability for 47 leases that carry Ahold guarantees. Additionally, Ahold retained liabilities related to stores previously sold, including guarantees on five Tops stores in eastern New York state, as well as liabilities related to the Tops convenience stores and the stores in northeast Ohio as outlined below.

Tops convenience stores

Pursuant to applicable law, Tops may be contingently liable to landlords under 193 leases assigned in connection with the sale of the Tops' Wilson Farms and Sugarcreek convenience stores in the event of a future default by the tenant under such leases. Ahold may also be contingently liable to landlords under the guarantees of 71 such leases in the event of a future default by the tenant under these leases.

Tops northeast Ohio stores

Tops closed all of its locations in northeast Ohio prior to year-end 2006. As of January 1, 2013, 34 of the total 55 closed locations in northeast Ohio have been sold, subleased or partially subleased. An additional 15 leases have been terminated or have terms due to expire within one year. Six stores continue to be marketed. In connection with the store sales, Tops and Ahold have certain post-closing indemnification obligations under the sale agreements, which Ahold believes are customary for transactions of this nature. Pursuant to applicable law, Ahold may be contingently liable to landlords under guarantees of 14 of such leases in the event of a future default by the tenant under such leases. In the event Ahold is able to assign the leases for the remaining northeast Ohio stores, then pursuant to applicable law, Ahold also may be contingently liable to landlords under guarantees of certain of such remaining leases in the event of a future default by the tenant under such leases. Additionally, under U.S. pension law, the buyers of certain Tops stores assumed the pension withdrawal liability associated with the underfunding of certain pension funds and Tops remains secondarily liable in the event the buyer defaults within five years as described in the relevant pension plan.

In January 2011, Tops Holdings, LLC, an Ahold subsidiary, was notified that a mass withdrawal had occurred under the International Brotherhood of Teamsters Local 400 Food Terminal Employees' Pension Plan, which covered workers of a warehouse in northeast Ohio previously owned by Tops Markets LLC and divested to Erie Logistics, LLC in 2002. This warehouse was closed in 2006 in connection with the closing of the Tops stores in northeast Ohio. Ahold earlier assessed that Tops Markets, LLC might have contractual liability to Erie Logistics, LLC for this mass withdrawal liability and, pursuant to the 2007 Tops Sale Agreement, Tops Holdings, LLC might have also indemnified Tops Markets, LLC for this liability. Based on Ahold's assessment of this potential loss contingency, at year end 2010 Ahold recognized a provision of $27 million (€20 million) relating to this potential liability. In 2012, this matter has been resolved and a payment in the amount of $21 million (€17 million) was made to the fund in full and final settlement of all claims.

Other contingent liabilities

ICA tax claims

The Swedish Tax Authority decided in 2008 to disallow deductions related to intra-Group interest payments during 2004-2008. After an appeal to the County Administrative Court, the Administrative Court of Appeal announced its final ruling in the Tax Authority's favor in October 2012. ICA recognized a tax expense of SEK 1.3 billion (€150 million) in 2012 in accordance with the ruling. Ahold's share is €90 million and is reflected in share in income of joint ventures.

34 Commitments and contingencies (continued)

Legal proceedings

Ahold and certain of its former or current subsidiaries are involved in a number of legal proceedings, which include litigation as a result of divestments, tax, employment, and other litigation and inquiries. The legal proceedings discussed below, whether pending, threatened or unasserted, if decided adversely or settled, may result in liability material to Ahold's financial condition, results of operations or cash flows. Ahold may enter into discussions regarding settlement of these and other proceedings, and may enter into settlement agreements, if it believes settlement is in the best interests of Ahold's shareholders. In accordance with IAS 37 "Provisions, Contingent Liabilities, and Contingent Assets," Ahold has recognized provisions with respect to these proceedings, where appropriate, which are reflected on its balance sheet.

U.S. Foodservice – Waterbury litigation

In October 2006, a putative class action was filed against U.S. Foodservice by Waterbury Hospital and Cason, Inc. and Frankie's Franchise Systems Inc. with the United States District Court for the District of Connecticut in relation to certain U.S. Foodservice pricing practices (the Waterbury Litigation). Two additional putative class actions were filed in 2007 by customers of U.S. Foodservice, Catholic Healthcare West and Thomas & King, Inc., in the U.S. District Courts for the Northern District of California and the Southern District of Illinois, respectively. These two new actions involved the same pricing practices as those in the Waterbury Litigation. The new actions also named Ahold and two individuals as defendants. In accordance with the decision of the Judicial Panel on Multidistrict Litigation, in 2008 the actions were consolidated with the Waterbury litigation before the U.S. District Court in Connecticut. Ahold was (among other parties) named as defendant. In July 2009, the Plaintiffs filed a motion to certify a Plaintiff class in the action. Both Ahold and U.S. Foodservice filed a motion to dismiss against the complaint and also filed motions opposing the certification of a class in the action. In December 2009, the Court in Connecticut granted Ahold's motion to dismiss, as a result of which Ahold is no longer party in the proceedings. U.S. Foodservice's motion to dismiss was partially rejected by the Court, as a result of which U.S. Foodservice remains defendant in the ongoing proceedings. On November 30, 2011, the U.S. District Court granted the Plaintiffs' motion to certify a class in the action which, if not reversed during the proceedings, would increase the potential liability exposure. The Court certified a class consisting of any person in the United States who purchased products from U.S. Foodservice pursuant to an arrangement that defined a sale price in terms of a cost component plus a markup ("cost-plus contract"), and for which U.S. Foodservice used a so-called "Value Added Service Provider" or "VASP" transaction to calculate the cost component. On December 14, 2011, U.S. Foodservice filed a petition with the Second Circuit Court of Appeals seeking permission to appeal the class certification order and that petition was granted on April 3, 2012. U.S. Foodservice's appeal of the class certification order is now pending. Parties are currently conducting discovery pursuant to a joint scheduling order entered by the Court on January 10, 2013. The trial is currently scheduled to begin on February 3, 2014. Ahold cannot at this time provide a reasonable estimate of any of its potential liability in connection with the indemnification obligation mentioned in the table above. Ahold will continue to vigorously defend its interests in these proceedings.

U.S. Foodservice – Governmental / regulatory investigations

The Civil Division of the U.S. Department of Justice was conducting an investigation, which related to certain past pricing practices of U.S. Foodservice for sales made to the U.S. government prior to the date of completion of the divestment of U.S. Foodservice (July 3, 2007).

In September 2010, a settlement was reached with the Department of Justice under which U.S. Foodservice was obliged to pay an amount of $33 million (€24 million) to the U.S. government. Ahold paid, under its indemnification agreement with U.S. Foodservice, an amount of $23 million (€17 million), of which $12 million (€9 million) had already been provided for in 2009. Ahold cannot exclude the possibility of further indemnification obligations resulting from other governmental or regulatory actions.

Uruguayan litigation

Ahold, together with Disco and Disco Ahold International Holdings N.V. (DAIH), is a party to or bears the risk of three legal proceedings in Uruguay related to Ahold's 2002 acquisition of Velox Retail Holdings' shares in the capital of DAIH. The damages alleged by the plaintiffs, alleged creditors of certain Uruguayan and other banks, amount to approximately $70 million (€53 million) plus interest and costs. As part of the sale of Disco to Cencosud in 2004, Ahold has indemnified Cencosud and Disco against the outcome of these legal proceedings. The proceedings are ongoing. Ahold continues to believe that the plaintiffs' claims are without merit and will continue to vigorously oppose such claims.

34 Commitments and contingencies (continued)

Stop & Shop Bradlees Lease Litigation with Vornado

In connection with the spin-off of Bradlees in May 1992, discussed under Contingent Liabilities above, Stop & Shop, Bradlees and Vornado (or certain of its affiliates, collectively Vornado) entered into a Master Agreement and Guaranty (the Master Agreement) relating to 18 leases for which Vornado was the landlord. Pursuant to the Bradlees Bankruptcies, Bradlees either rejected or assumed and assigned the leases subject to the Master Agreement. In 2002, Vornado sent a written demand to Stop & Shop to pay certain rental increases under the Master Agreement in connection with certain leases, comprised of $5 million (€4 million) annually through 2012, and, if certain renewal options are exercised, $6 million (€5 million) annually thereafter through the expiration of the last lease covered by the Master Agreement, which Vornado alleged could extend until 2031, depending upon whether renewal options are exercised. In 2002, Stop & Shop filed a Court claim that it is not obligated to pay the rental increases demanded by Vornado. In 2005, Vornado filed a counterclaim seeking unpaid rental increases and a declaration that Stop & Shop is obligated to pay rental increases in the future. On November 4, 2011, the Supreme Court of the State of New York issued its judgment in respect of this litigation. Under the judgment, the court ordered Stop & Shop to pay $37.4 million in rental increases plus certain other accrued rental increases and statutory interest thereon and attorney's fees and held Stop & Shop liable for future rental increases in the amount of $6 million per annum thereafter until the date of expiration of the last lease covered by the Master Agreement (which could be as late as 2031). In connection with the judgment, in 2011, a provision of $124 million (€92 million) for claims and legal disputes was recorded (against "Other financial income (expense)", see *Note 24*. Stop & Shop appealed the judgment to the New York Supreme Court Appellate Division. On February 4, 2013, prior to the issuance of a decision on the appeal, Stop & Shop and Vornado entered into a Settlement Agreement under which Stop & Shop agreed to pay Vornado a settlement payment of $124 million. On February 6, 2013 Stop & Shop made the settlement payment to Vornado and the appeal has been withdrawn and the litigation ended.

Other legal proceedings

In addition to the legal proceedings described above, Ahold and its former or current subsidiaries are parties to a number of other legal proceedings arising out of their business operations. Ahold believes that the ultimate resolution of these other proceedings will not, in the aggregate, have a material adverse effect on Ahold's financial position, results of operations or cash flows. Such other legal proceedings, however, are subject to inherent uncertainties and the outcome of individual matters is unpredictable. It is possible that Ahold could be required to make expenditures, in excess of established provisions, in amounts that cannot reasonably be estimated.

35 Subsequent events

Stop & Shop Bradlees Lease Litigation with Vornado

On February 4, 2013, Stop & Shop and Vornado entered into a settlement agreement with regards to the legal proceedings against each other. Under the agreement, Stop & Shop agreed to pay Vornado a settlement payment of $124 million, which was the same amount that was provided for as of December 30, 2012. On February 6, 2013 Stop & Shop made the settlement payment to Vornado and the appeal has been withdrawn and the litigation ended.

Ahold to sell stake in ICA to Hakon Invest

On February 11, 2013, Ahold announced that it has reached an agreement with Hakon Invest of Sweden regarding the sale of Ahold's 60% holding in ICA for SEK 21.2 billion in cash, which includes ICA's 2012 dividend of SEK 1.2 billion. The transaction is subject to regulatory approvals, as well as approval by the ICA Retailers' Association (ICA Forbundet) for the financing of the transaction. The transaction is expected to be completed in the middle of this year.

Share buyback

On February 28, 2013, Ahold announced its decision to return €500 million to its shareholders by way of a share buyback program, to be completed over the next 12 months.

36 List of subsidiaries, joint ventures and associates

The following are Ahold's significant subsidiaries, joint ventures and associates as of December 30, 2012:

Consolidated subsidiaries

Unless otherwise indicated, these are, directly or indirectly, wholly or virtually wholly-owned subsidiaries. Subsidiaries not important to providing an insight into the Ahold group as required under Dutch law are omitted from this list. With respect to the separate financial statements of the Dutch legal entities included in the consolidation, the Company availed itself of the exemption laid down in section 403, subsection 1 of Book 2 of the Netherlands Civil Code. Pursuant to said section 403, Ahold has assumed joint and several liabilities for the debts arising out of the legal acts of a number of subsidiaries in the Netherlands, which form part of the consolidation. The names of the subsidiaries for which Ahold has issued 403 declarations are open for inspection at the trade register as managed by the Netherlands Chamber of Commerce.

36 List of subsidiaries, joint ventures and associates (continued)

Retail trade Europe

Albert Heijn B.V., Zaandam, the Netherlands
Albert Heijn Franchising B.V., Zaandam, the Netherlands
Gall & Gall B.V., Zaandam, the Netherlands
Etos B.V., Zaandam, the Netherlands
bol.com B.V., Utrecht, the Netherlands
AHOLD Czech Republic, a.s., Prague, Czech Republic
AHOLD Retail Slovakia, k.s., Bratislava, Slovak Republic
Albert Heijn België N.V, Antwerp, Belgium
Ahold Germany GmbH, Düsseldorf, Germany

Retail trade United States

The Stop & Shop Supermarket Company LLC, Boston, Massachusetts
Giant Food Stores, LLC, Carlisle, Pennsylvania
Giant of Maryland LLC, Landover, Maryland
Peapod, LLC, Skokie, Illinois

Other

Ahold Coffee Company B.V., Zaandam, the Netherlands
Ahold Nederland B.V., Amsterdam, the Netherlands
Ahold Europe Real Estate & Construction B.V., Zaandam, the Netherlands
Ahold Finance U.S.A., LLC, Amsterdam, the Netherlands
Ahold Financial Services, LLC, Carlisle, Pennsylvania, United States
Ahold Information Services, Inc., Greenville, South Carolina, United States
Ahold International Sàrl, Zug, Switzerland
Ahold Lease U.S.A., Inc., Boston, Massachusetts, United States
Ahold Licensing Sàrl, Geneva, Switzerland
Ahold U.S.A., Inc., Boston, Massachusetts, United States
American Sales Company, LLC, Lancaster, New York, United States
MAC Risk Management, Inc., Canton, Massachusetts, United States
The MollyAnna Company, Montpelier, Vermont, United States
Ahold Insurance N.V., Willemstad, Curaçao
Ahold Finance Company N.V., Curaçao – Geneva branch, Geneva, Switzerland
Ahold Finance Company N.V., Curaçao – Zurich branch, Zurich, Switzerland

Joint ventures and associates (unconsolidated)

ICA AB, Stockholm, Sweden (60% owned by Ahold's indirect subsidiary Ahold JV B.V.)
JMR – Gestão de Empresas de Retalho, SGPS, S.A., Lisbon, Portugal (49% owned by Ahold's subsidiary Ahold International Sarl)
Jerónimo Martins Retail Services S.A., Klosters, Switzerland (49% owned by Ahold's subsidiary Ahold International Sarl)

Parent company financial statements

Income statement

€ million	2012	2011
Income from subsidiaries and investments in joint ventures after income taxes	**713**	905
Other gains and losses after income taxes	**114**	112
Net income	**827**	1,017

Balance sheet

Before appropriation of current year result.

€ million	Note	December 30, 2012	January 1, 2012
Assets			
Property, plant and equipment		**2**	2
Deferred tax assets		**23**	30
Financial assets	4	**11,998**	11,009
Total non-current assets		**12,023**	11,041
Receivables	5	**15**	198
Cash and cash equivalents		**544**	189
Total current assets		**559**	387
Total assets		**12, 582**	11,428
Liabilities and shareholders' equity			
Issued and paid-in share capital		**318**	330
Additional paid-in capital		**8,713**	9,094
Currency translation reserve		**(298)**	(265)
Cash flow hedging reserve		**(126)**	(93)
Reserve participations		**324**	402
Accumulated deficit		**(3,763)**	(4,608)
Net income		**827**	1,017
Shareholders' equity	6	**5,995**	5,877
Provisions	7	**26**	58
Loans	8	**1,636**	331
Cumulative preferred financing shares	8	**497**	497
Other non-current liabilities	9	**455**	329
Total non-current liabilities		**2,588**	1,157
Current liabilities	10	**3,973**	4,336
Total liabilities and shareholders' equity		**12,582**	11,428

The accompanying notes are an integral part of these parent company financial statements.

Notes to the parent company financial statements

1 Significant accounting policies

Basis of preparation

The parent company financial statements of Ahold have been prepared in accordance with Part 9, Book 2 of the Netherlands Civil Code. In accordance with subsection 8 of section 362, Book 2 of the Netherlands Civil Code, the recognition and measurement principles applied in these parent company financial statements are the same as those applied in the consolidated financial statements (see *Note 3* to the consolidated financial statements).

Investments in subsidiaries, joint ventures and associates

Investments in subsidiaries, joint ventures and associates are accounted for using the net equity value. Ahold calculates the net equity value using the accounting policies as described in *Note 3* to the consolidated financial statements. The net equity value of subsidiaries comprises the cost, excluding goodwill, of Ahold's share in the net assets of the subsidiary, plus Ahold's share in income or losses since acquisition, less dividends received. Goodwill paid upon acquisition of an investment in a joint venture or associate is included in the net equity value of the investment and is not shown separately on the face of the balance sheet.

2 Employees

The average number of employees of Koninklijke Ahold N.V. in full-time equivalents during 2012 was 156 (2011: 143). Salaries, social security charges and pension expenses amounted to €29 million, €4 million and a recovery of €1 million, respectively, for 2012 (2011: expenses of €24 million, €1 million and €2 million, respectively).

For information on the parent company's defined benefit pension plan, the remuneration of the Corporate Executive Board and the Supervisory Board and the parent company's share-based compensation plans, see *Notes 23, 31 and 32*, respectively, to the consolidated financial statements.

The net pension assets and the net pension expense are calculated on the basis of the parent company's active employees only.

3 Auditor fees

Expenses for services provided by the parent company's independent auditor, Deloitte Accountants B.V., and its member firms and / or affiliates to Ahold and its subsidiaries are specified as follows:

€ thousand	**Deloitte Accountants B.V.**	**Member firms / affiliates**	**Total 2012**	Deloitte Accountants B.V.	Member firms / affiliates	Total 2011
Audit fees	**2,244**	**2,381**	**4,625**	2,233	2,314	4,547
Audit-related fees	**67**	**52**	**119**	74	6	80
Tax advisory fees	**–**	**–**	**–**	–	–	–
Other non-audit fees	**–**	**–**	**–**	–	–	–
Total	**2,311**	**2,433**	**4,744**	2,307	2,320	4,627

4 Financial assets

€ million	December 30, 2012	January 1, 2012
Investments in subsidiaries	**8,901**	8,000
Loans receivable from subsidiaries	**2,797**	2,753
Other derivatives external	**280**	239
Pensions and other post-employment benefits	**16**	12
Deferred financing cost	**4**	5
Total financial assets	**11,998**	11,009

For more information on derivatives, see *Note 11* to these parent company financial statements.

Investments in subsidiaries and joint ventures

€ million	2012	2011
Beginning of year	**8,000**	7,649
Share in income	**713**	905
Dividends	**(463)**	(635)
Intercompany transfers	**700**	50
Share of other comprehensive income (loss) and other changes in equity	**(13)**	(19)
Transfers to loans receivable	**(8)**	–
Transfers (to) / from provisions	**(38)**	4
Exchange rate differences	**10**	46
End of year	**8,901**	8,000

Intercompany transfers include share premium contributions. For a list of subsidiaries, joint ventures and associates, see *Note 36* to the consolidated financial statements.

Loans receivable

€ million	2012	2011
Beginning of year	**2,753**	2,553
Issued	**76**	193
Redemptions	**–**	(59)
Transfers from investments	**8**	–
Exchange rate differences	**(40)**	66
End of year	**2,797**	2,753
Current portion	**–**	–
Non-current portion of loans	**2,797**	2,753

The loans receivable are related to loans with subsidiaries. The parent company has granted subordinated loan facilities for a total amount of €3.9 billion ($5.2 billion) to subsidiaries. As of December 30, 2012, three loans have been issued for a total amount of €2.0 billion ($2.6 billion).

5 Receivables

€ million	December 30, 2012	January 1, 2012
Receivables from subsidiaries	6	28
Receivables from joint ventures	2	2
Hedging derivatives external	–	141
Hedging derivatives intercompany	1	–
Prepaid expenses	1	24
Income tax receivable	1	–
Other receivables	4	3
Total receivables	**15**	198

In 2011, external hedging derivatives of €141 million were reclassified from financial assets to current assets (see *Note 11* to these parent company financial statements).

6 Shareholders' equity

The shareholders' equity in the parent company financial statements equals the shareholders' equity presented in the consolidated financial statements, except that legal reserve participations and accumulated deficit are presented separately.

The currency translation reserve, cash flow hedging reserve and legal reserve participations are legal reserves that are required by Dutch law. The legal reserve participations include the net increases in net asset value of joint ventures and associates since their first inclusion, less any amounts that can be distributed without legal restrictions.

If the currency translation reserve or the cash flow hedging reserve has a negative balance, distributions to the Company's shareholders are restricted to the extent of the negative balance. From the total equity as per December 30, 2012, of €5,995 million, an amount of €642 million is non-distributable (January 1, 2012: €732 million from €5,877 million). For more information on the dividends on common shares, see *Note 20* to the consolidated financial statements.

The movements in equity can be specified as follows:

			Legal reserves				
€ million	Share capital	Additional paid-in capital	Currency translation reserve	Cash flow hedging reserve	Reserve participations	Accumulated deficit including result for the year	Equity attributable to common shareholders
Balance as of January 2, 2011	**358**	**9,916**	**(385)**	**(63)**	**396**	**(4,312)**	**5,910**
Dividends	–	–	–	–	–	(328)	(328)
Total comprehensive income	–	–	123	(36)	–	1,014	1,101
Share buyback	–	–	–	–	–	(837)	(837)
Cancellation of treasury shares	(28)	(822)	–	–	–	850	–
Share-based payments	–	–	–	–	–	31	31
Other changes in reserves	–	–	(3)	6	6	(9)	–
Balance as of January 1, 2012	**330**	**9,094**	**(265)**	**(93)**	**402**	**(3,591)**	**5,877**
Dividends	–	–	–	–	–	(415)	(415)
Total comprehensive income	–	–	(33)	(33)	–	823	757
Share buyback	–	–	–	–	–	(277)	(277)
Cancellation of treasury shares	(12)	(381)	–	–	–	393	–
Share-based payments	–	–	–	–	–	53	53
Other changes in reserves	–	–	–	–	(78)	78	–
Balance as of December 30, 2012	**318**	**8,713**	**(298)**	**(126)**	**324**	**(2,936)**	**5,995**

7 Provisions

€ million	December 30, 2012	January 1, 2012
Provision for negative equity subsidiaries	**7**	45
Other provisions	**19**	13
Total provisions	**26**	58

As of December 30, 2012, €7 million is expected to be utilized within one year.

8 Loans

	December 30, 2012		January 1, 2012	
€ million	Non-current portion	Current portion	Non-current portion	Current portion
JPY 33,000 notes LIBOR plus 1.5%, due May 2031	**290**	**–**	331	–
Loans from subsidiaries	**1,346**	**–**	–	–
Total loans	**1,636**	**–**	331	–

The loans from subsidiaries mature in 2015 (€ 750 million), 2017 (€ 125 million) and 2022 (€ 471 million). For more information on the external loans, see *Note 21* to the consolidated financial statements. For information on the cumulative preferred financing shares, see *Note 22* to the consolidated financial statements.

9 Other non-current liabilities

€ million	December 30, 2012	January 1, 2012
Hedging derivatives external	**175**	89
Other derivatives intercompany	**280**	239
Finance lease liabilities	**–**	1
Total other non-current liabilities	**455**	329

For more information on derivatives, see *Note 11* to these parent company financial statements.

10 Current liabilities

€ million	December 30, 2012	January 1, 2012
Short-term borrowings from subsidiaries	**3,920**	4,111
Income taxes payable	**–**	9
Dividend cumulative preferred financing shares	**24**	24
Payables to subsidiaries	**2**	3
Payables to joint ventures	**2**	2
Interest payable	**1**	1
Hedging derivatives intercompany	**–**	143
Other current liabilities	**24**	43
Total current liabilities	**3,973**	4,336

The current liabilities are liabilities that mature within one year. In 2011, €141 million of hedging derivatives intercompany was reclassified to current liabilities from other non-current liabilities (see *Note 11* to these parent company financial statements).

11 Derivatives

The parent company regularly enters into derivative contracts with banks to hedge foreign currency and interest exposures of the parent company or its subsidiaries. Derivative contracts that are entered into to hedge exposures of subsidiaries are generally mirrored with intercompany derivative contracts with the subsidiaries that are exposed to the hedged risks on substantially identical terms as the external derivative contracts. In these parent company financial statements, the external derivative contracts and the intercompany derivative contracts are presented separately on the balance sheet. In situations where the external derivative contract qualifies for hedge accounting treatment in the consolidated financial statements, the external derivative contract and the intercompany derivative contract are presented as "Hedging derivatives external" and "Hedging derivatives intercompany," respectively. In situations where the external derivative contract does not qualify for hedge accounting treatment in the consolidated financial statements, the external derivative contract and the intercompany derivative contract are presented as "Other derivatives external" and "Other derivatives intercompany," respectively.

Fair value movements of external derivative contracts that were entered into to hedge the exposures of subsidiaries are recorded directly in income, where they effectively offset the fair value movements of the mirroring intercompany derivatives that are also recorded directly in income. Details of these derivative contracts, other financial instruments and the parent company's risk management strategies are included in *Note 30* to the consolidated financial statements and in the tables presented below.

Non-current hedging derivatives – assets

€ million	2012 Total	2011 Total
Beginning of year	**239**	347
Reclassification to current assets	**–**	(141)
Fair value changes	**41**	33
End of year	**280**	239

11 Derivatives (continued)

Non-current hedging derivatives – liabilities

€ million	Hedging derivatives external	Other derivatives intercompany	2012 Total	2011 Total
Beginning of year	**89**	**239**	**328**	416
Reclassification to current liabilities	**–**	**–**	**–**	(141)
Fair value changes	**86**	**41**	**127**	53
End of year	**175**	**280**	**455**	328

Fair value changes include exchange rate differences and installments paid on a cross-currency swap that was entered into on behalf of one of the parent company's subsidiaries.

12 Related party transactions

Koninklijke Ahold N.V. has entered into arrangements with a number of its subsidiaries and affiliated companies in the course of its business. These arrangements relate to service transactions and financing agreements and were conducted at market prices.

13 Commitments and contingencies

Notes and loans issued by certain subsidiaries are guaranteed by the parent company, as disclosed in *Note 21* to the consolidated financial statements. The parent company also guarantees certain lease obligations and other obligations of subsidiaries. Guarantees issued by the parent company regarding the financial obligations of third parties and non-consolidated entities amount to €654 million as of December 30, 2012 (January 1, 2012: €777 million).

As part of the divestment of U.S. Foodservice in 2007, Ahold received an irrevocable standby letter of credit for $216 million (€167 million), which was reduced to $103 million (€78 million) as of December 30, 2012. As part of the divestment of Ahold's Polish retail operations, Ahold received a guarantee from Carrefour for €152 million in June 2007, which matured during 2012.

Under customary provisions, the parent company guarantees certain representations and warranties made in agreements of asset disposals. Guarantees and legal proceedings are further disclosed in *Note 34* to the consolidated financial statements. The parent company forms a fiscal unity with Ahold's major Dutch and certain other subsidiaries for Dutch corporate income tax and Dutch VAT purposes and, for that reason, it is jointly and severally liable for the Dutch corporate income tax liabilities and Dutch VAT liabilities of the whole fiscal unity. Assumptions of liability pursuant to section 403, Book 2 of the Netherlands Civil Code are disclosed in *Note 36* to the consolidated financial statements.

Amsterdam, the Netherlands

February 27, 2013

Corporate Executive Board

Dick Boer

Jeff Carr

Lodewijk Hijmans van den Bergh

James McCann

Supervisory Board

René Dahan (Chairman)

Tom de Swaan (Vice Chairman)

Derk Doijer

Stephanie Shern

Judith Sprieser

Mark McGrath

Ben Noteboom

Rob van den Bergh

Other information

Independent auditor's report

To: the Shareholders, Supervisory Board and Corporate Executive Board of Koninklijke Ahold N.V.

Report on the financial statements

We have audited the accompanying financial statements for the year ended December 30, 2012 of Koninklijke Ahold N.V., Zaandam. The financial statements include the consolidated financial statements and the parent company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at December 30, 2012, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The parent company financial statements comprise the parent company balance sheet as at December 30, 2012, the parent company income statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Koninklijke Ahold N.V. as at December 30, 2012 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the parent company financial statements

In our opinion, the parent company financial statements give a true and fair view of the financial position of Koninklijke Ahold N.V. as at December 30, 2012 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the management report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, February 27, 2013

Deloitte Accountants B.V.

P.J.M.A. van de Goor

Distribution of profit

Articles of Association provisions governing the distribution of profit

The holders of common shares are entitled to one vote per share and to participate in the distribution of dividends and liquidation proceeds. Pursuant to section 39 of the Articles of Association, a dividend will first be declared out of net income on cumulative preferred shares and cumulative preferred financing shares. Any net income remaining after reservations deemed necessary by the Supervisory Board, in consultation with the Corporate Executive Board, will then be available for distribution to the common shareholders subject to approval at the General Meeting of Shareholders. The Corporate Executive Board, with the approval of the Supervisory Board, may propose that the General Meeting of Shareholders make distributions wholly or partly in the form of common shares. Amounts of net income not paid in the form of dividends will be added to the accumulated deficit. In the financial statements, the dividend on cumulative preferred financing shares is included in the income statement. Consequently, net income according to the parent company income statement is fully attributable to common shareholders.

Distribution of profit

The Corporate Executive Board, with the approval of the Supervisory Board, proposes that a final dividend of €0.44 per common share be paid in 2013 with respect to 2012 (2011: €0.40).

Subsequent events

For information regarding subsequent events, see *Note 35* to the consolidated financial statements.

Share capital

Share capital

Ahold's authorized share capital as of December 30, 2012, was comprised of the following:

- 1,700,000,000 common shares at €0.30 par value each
- 477,580,949 cumulative preferred financing shares at €0.30 par value each
- 1,250,000 cumulative preferred shares at €500 par value each

For additional information about Ahold's share capital, see *Notes 20* and *22* to the consolidated financial statements. Ahold is a public limited liability company registered in the Netherlands with a listing of shares (symbol: AH) on Euronext's Amsterdam Stock Exchange (AEX). Ahold's common shares trade in the United States on the over-the-counter (OTC) market through www.otcmarkets.com (symbol: AHONY) in the form of American Depositary Shares (ADSs) and are evidenced by American Depositary Receipts (ADRs).

Ahold's Depositary for its ADSs is Citibank. Each ADS entitles the holder to receive one common share deposited under an amended and restated deposit agreement between Ahold and the Depositary dated July 2, 2010. Ahold has been informed by the Depositary that as of December 30, 2012, there were 50,347,861 ADSs outstanding in the United States, compared with 48,656,053 as of January 1, 2012.

Share performance

Share performance

Closing share prices for Ahold's common shares on Euronext Amsterdam for the periods indicated below were:

€ million	2012	2011
Closing common share price at year end (in €)	**10.16**	10.41
Average closing common share price (in €)	**9.93**	9.31
Highest closing common share price (in €)	**11.05**	10.41
Lowest closing common share price (in €)	**9.04**	7.83
Average daily trading volume	**3,315,165**	4,453,813

Source: Euronext

The development of the closing prices for Ahold's common shares on Euronext Amsterdam during calendar years 2008–2012 relative to the AEX index (base 100 = January 2, 2008) was as follows:

Share performance

Geographic spread of shareholdings:

Percent	February 2012	February 2011
North America	**28.4**	28.9
UK / Ireland	**18.5**	12.0
The Netherlands	**10.5**	14.3
Rest of Europe	**7.4**	6.8
France	**5.2**	6.2
Germany	**2.8**	1.5
Rest of the world	**2.3**	2.7
Switzerland	**1.4**	1.1
Undisclosed[1]	**23.5**	26.5

1 The undisclosed percentage of shareholdings includes all retail holdings.

Dividend

Dividend

Ahold reinstated its annual dividend in 2007 and announced that it intended to increase future annual dividends while meeting the capital needs of the business and maintaining an efficient investment grade capital structure.

For the 2011 financial year, a cash dividend of €0.40 per common share was approved by the annual General Meeting of Shareholders on April 17, 2012, and paid on May 2, 2012.

The announced common stock dividend of €0.44 for the financial year 2012 is up €0.04 or 10% from last year and will be proposed to shareholders at the annual General Meeting of Shareholders to be held on April 17, 2013. The recommended dividend is in line with our dividend policy to target a payout ratio in the range of 40-50% of adjusted income from continuing operations.

Dividends on cumulative preferred financing shares

Ahold paid an annual dividend on cumulative preferred financing shares in 2012 and plans to pay dividends on these shares in 2013 as required by the terms of the shares.

Share buyback

On February 28, 2013, Ahold announced its decision to return €500 million to its shareholders by way of a share buyback program, to be completed over the next 12 months.

Five-year overview

Results, cash flow and other information

€ million, except per share data	2012	2011	2010	2009	2008
Net sales	**32,841**	30,271	29,530	27,925	25,648
Net sales growth at constant exchange rates[1]	**3.5%**	5.5%	4.4%	3.9%	6.9%
Operating income	**1,187**	1,347	1,336	1,297	1,202
Underlying operating margin	**4.3%**	4.5%	4.7%	4.8%	4.7%
Net interest expense	**(226)**	(225)	(270)	(289)	(233)
Income (loss) from continuing operations	**830**	1,032	863	972	887
Income (loss) from discontinued operations	**(3)**	(15)	(10)	(78)	195
Net income	**827**	1,017	853	894	1,082
Net income per common share (basic)	**0.80**	0.92	0.73	0.76	0.92
Net income per common share (diluted)	**0.77**	0.89	0.72	0.74	0.90
Income from continuing operations per common share (basic)	**0.80**	0.93	0.74	0.82	0.76
Income from continuing operations per common share (diluted)	**0.78**	0.90	0.73	0.81	0.74
Dividend per common share	**0.44**	0.40	0.29	0.23	0.18
Free cash flow	**1,188**	965	1,112	948	638
Net cash from operating, investing and financing activities	**(511)**	(226)	(157)	(169)	(445)
Capital expenditures (including acquisitions)[2]	**1,876**	881	1,117	788	1,094
Capital expenditures as % of net sales	**5.7%**	2.9%	3.8%	2.8%	4.3%
Regular capital expenditures	**930**	808	859	779	955
Regular capital expenditures as % of net sales	**2.8%**	2.7%	2.9%	2.8%	3.7%
Average exchange rate (€ per $)	**0.7782**	0.7189	0.7555	0.7194	0.6828

1 Net sales growth in 2010 and 2009 is adjusted for the impact of week 53 in 2009.

2 The amounts represent additions to property, plant and equipment, investment property and intangible assets. The amounts include assets acquired through business combinations and exclude discontinued operations.

Balance sheet and other information

€ million	December 30, 2012	January 1, 2012	January 2, 2011	January 3, 2010	December 28, 2008
Equity[1]	**5,995**	5,877	5,910	5,440	4,687
Gross debt	**3,246**	3,680	3,561	3,700	4,241
Cash, cash equivalents and short-term deposits	**1,886**	2,592	2,824	2,983	2,863
Net debt	**1,360**	1,088	737	717	1,378
Total assets	**15,082**	14,980	14,725	13,933	13,603
Number of stores	**3,074**	3,008	2,970	2,909	2,897
Number of employees (in thousand FTEs)	**125**	121	128	118	119
Number of employees (in thousands headcount)	**225**	218	213	206	203
Common shares outstanding (in millions)[1]	**1,039**	1,060	1,145	1,181	1,177
Share price at Euronext (€)	**10.16**	10.41	9.88	9.26	8.83
Market capitalization[1]	**10,551**	11,033	11,314	10,938	10,390
Year-end exchange rate (€ per $)	**0.7566**	0.7724	0.7474	0.6980	0.7111

1 In 2012 €277 million was returned to shareholders through a share buyback (2011: €837 and 2010: €386 million).

Contact information

General information

Ahold Group Communications
P.O. Box 985
1000 AZ Amsterdam
The Netherlands
Telephone: +31 88 659 5100
Email: communications@ahold.com
www.ahold.com
Trade Register No. 35000363

Shareholder information

Ahold Investor Relations
P.O. Box 985
1000 AZ Amsterdam
The Netherlands
Telephone: +31 88 659 5213
Email: investor.relations@ahold.com

Visiting address

Ahold Corporate Center
Piet Heinkade 167–173
1019 GM Amsterdam
The Netherlands

ADR information

Citibank Shareholder Services
P.O. Box 43077
Providence, Rhode Island 02940-3077
USA
Telephone: +1 800 649 4134 (toll free)
Telephone: +1 781 585 4555 (outside the United States)
Fax: +1 201 324 3284
Email: Citibank@shareholder-online.com
www.citi.com/dr

Cautionary notice

This Annual Report contains forward-looking statements, which do not refer to historical facts but refer to expectations based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from those included in such statements.

Many of these risks and uncertainties relate to factors that are beyond Ahold's ability to control or estimate precisely, including but not limited to, Ahold's ability to successfully implement and complete its plans and strategies and to meet its targets, the benefits from Ahold's plans and strategies being less than anticipated, the effect of general economic or political conditions, the actions of competitors and other third parties, increases or changes in competition, Ahold's ability to retain and attract employees who are integral to the success of the business, acquisition and integration and risks related to large strategic projects, collective bargaining, information security, business and IT continuity, food and non-food safety, social compliance, responsible retailing, social media, insurance programs, the euro, contingent liabilities associated with lease guarantees, Ahold's liquidity needs (including but not limited to health care and pension funding requirements) exceeding expected levels, foreign currency translation risk, credit risk, interest rate risk, unforeseen tax liabilities and legislative and regulatory environment and litigation risks, and other factors discussed in this Annual Report, in particular the paragraphs on *How we manage risk* and in Ahold's other public filings and disclosures. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report. Ahold does not assume any obligation to update any public information or forward-looking statement in this Annual Report to reflect events or circumstances after the date of this Annual Report, except as may be required by applicable laws.

Outside the Netherlands, Ahold presents itself under the name of "Royal Ahold" or simply "Ahold." For the reader's convenience, "Ahold," "the Company," "Ahold group," or "the Group" are also used throughout this Annual Report. The Company's registered name is "Koninklijke Ahold N.V.".

Nielsen's information as included in this Annual Report does not constitute a reliable independent basis for investment advice or Nielsen's opinion as to the value of any security or the advisability of investing in, purchasing or selling any security.